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# The American Economic Review

VOLUME XIV, NO. 4

DECEMBER, 1924

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## THE PAR REMITTANCE CONTROVERSY

Recent developments show that the attempt to bring about universal, nation-wide par clearance and collection of checks through the federal reserve banks still falls short of complete success. The controversy between the advocates of par remittance and those opposing it has been one of the bitterest in the banking history of the United States. It has led to considerable litigation in the courts, three decisions of the United States Supreme Court having already been rendered; and there is a possibility that more will be necessary if the Federal Reserve act is so amended as to place definitely upon the federal reserve banks the obligation of compelling every bank in the country to remit to the federal reserve banks at par. All the member banks of the federal reserve system have remitted to the federal reserve banks at par since July, 1916. The high point in the number of nonmember banks so remitting was reached November 15, 1920, at which time 19,188 nonmembers were remitting at par.<sup>1</sup> On January 15, 1921, only 1705 banks in the entire country still refused to remit at par.<sup>2</sup> Since that date a large number of nonmember banks have withdrawn from the par list, so that at the present time (August, 1924) there are approximately 3300 banks which do not remit at par. Present indications are that further withdrawals from the par list may be expected. It is the purpose of this article to outline briefly the history of the par remittance controversy, paying special attention to recent developments with the intention of ascertaining what these developments signify.

There is still some misunderstanding as to what is meant by par remittance. Although the expression "par clearance" is widely used, probably "par remittance" is better terminology, as the federal reserve banks do not actually clear checks, and the present controversy has to do with methods of remittance. The following example will explain what the term "par remittance" signifies, and why so much opposition has arisen to the activities of the federal reserve banks in this respect.

Suppose that, in the days before the establishment of the federal reserve system, a bank depositor in Wisconsin drew a check for \$100

<sup>1</sup>*Federal Reserve Bulletin*, Dec., 1920, p. 1492.

<sup>2</sup>*Ibid.*, Feb., 1921, p. 247.

on his bank and sent it to a Chicago merchant in payment for some purchases. The Chicago merchant deposited the check in a Chicago bank. If the Chicago bank returned the check directly to the Wisconsin bank for payment, the Wisconsin bank would remit with a draft on its Chicago correspondent, not for the full amount of \$100, however, but probably for \$99.90. This deduction of ten cents was called an exchange charge. Another way in which the check might have been handled was that, through the Chicago clearing house, the check eventually came into the possession of the Chicago bank which was the correspondent of the Wisconsin bank upon which the check was drawn. This Chicago correspondent returned the check to the Wisconsin bank, possibly charging the account of the Wisconsin bank \$100. But the Wisconsin bank, instead of permitting its account to be charged the full \$100, might have had an agreement with its Chicago correspondent whereby the account would not be charged but the checks would be returned to the Wisconsin bank for payment. Thereupon, the Wisconsin bank would remit only \$99.90. This remittance, frequently, was in the form of a draft upon the account of the Wisconsin bank in the Chicago correspondent itself. Competition for country bank accounts led many large city banks to make such an agreement. Many city banks, however, refused to do so.

Although the Wisconsin bank remitted only \$99.90, the account of its depositor was charged the full \$100, thereby giving the bank a profit on the transaction. In order, however, for this profit to be realized, it was necessary for the Wisconsin bank to have an agreement with its Chicago correspondent that checks on other banks received by the Wisconsin bank and sent to the Chicago bank for collection should be credited in full to the account of the Wisconsin bank. The Wisconsin bank was, then, able to collect at par on all other banks but refused to remit at par for its own checks. The arrangement was very profitable to the Wisconsin bank in spite of the fact that it had to maintain a large account with the Chicago bank as a recompense for the service performed, for on this account the Wisconsin bank received from 2 to 2½ per cent interest.

Upon whom did the ten-cent deduction made by the Wisconsin bank fall ultimately? Sometimes the Chicago correspondent assumed it. Sometimes it was passed on to the Chicago merchant depositing the check, in which case he was given credit for only \$99.90, unless perhaps he maintained such a large balance with his Chicago bank that the bank desiring his good-will assumed the loss itself. Where the loss fell upon the Chicago merchant, it became a part of his cost and was shifted wherever possible to the consuming public in the form of higher prices. It is this shifting of exchange charges to the public in the form of higher prices which is assumed whenever reference is made

to the burden placed upon commerce and industry by exchange charges. The practice of making such charges was a relic of the days when considerable expense was involved in the transfer of currency to meet checks returned by other banks for payment. Banks which did not make such a deduction, but sent the full \$100 in remitting for checks drawn upon them and returned for payment, were said to practice "par remittance."

The foregoing example, describing the relations existing between the Wisconsin bank and its Chicago correspondent, is typical of banking practice in many parts of the United States before the development of the federal reserve system. In order to understand why controversy arose over the continuance of the practice of making deductions in remitting for checks, it must be borne in mind that the development of a check collection system by the federal reserve banks has gradually resulted in the displacement of the Chicago and other city correspondents as check collection agencies by the Federal Reserve Bank of Chicago and the other federal reserve banks. Had the federal reserve banks been permitted by law to permit the deduction of exchange charges on checks returned to drawee banks for payment, the controversy over par remittance might not have arisen. The federal reserve banks could not, however, have assumed the burden of the charges, for the total would have been enormous. The charges would have had to have been passed on to the banks depositing the checks in the federal reserve banks. But, since the Hardwick amendment of June 21, 1917, to the Federal Reserve act, all checks received by the federal reserve banks must be collected at par without deduction.

It was the attempt of the federal reserve banks to increase their activities until they became collecting agencies for practically all out-of-town checks, whether drawn on a member or a nonmember bank, thereby wiping out in wholesale manner the chance to make deductions for exchange, that brought the par remittance controversy to a head. The earnings from such exchange charges constituted a large portion of the profits of many banks, and these banks, especially the banks which were not members of the federal reserve system, fought vigorously to retain this source of income. The main steps in the development of the federal reserve check collection system will now be outlined.

When the federal reserve system was established, there was a widespread feeling that it was desirable to create a system whereby checks could be collected at par throughout the country. In spite of the opposition of many bankers, there were inserted in sections 13 and 16 of the Federal Reserve act provisions laying the foundation for a clearing and collecting system operating through the federal reserve banks. It was realized that it would be impossible to effect so

revolutionary a change in banking methods at once, and so these provisions were made permissive rather than compulsory. Section 13 permitted the federal reserve banks to receive on deposit checks and drafts drawn upon *solvent member banks*, if these checks and drafts were payable upon presentation. The federal reserve banks might also receive, for exchange purposes only, checks and drafts drawn upon *solvent member banks* or other federal reserve banks, if these checks and drafts were payable upon presentation. Section 16 required each federal reserve bank to receive on deposit *at par* from *member banks* or from other federal reserve banks checks and drafts drawn upon any of its depositors. The same stipulation was made with regard to remittances from another federal reserve bank of checks and drafts drawn by any depositor in another federal reserve bank or member bank. But it was definitely stated that no prohibition was placed upon the right of a member bank to charge for the actual expense incurred in collecting and remitting funds, or for exchange sold to their patrons. The Federal Reserve Board, however, was instructed to fix the charges made by members against their customers whose checks were cleared through the federal reserve banks. The law assumed that the federal reserve banks might find it necessary to charge for the collection services, for the Federal Reserve Board was given the power to fix the charges which might be made by federal reserve banks for clearing and collecting checks. Furthermore, the board was given the power, "at its discretion," to act as a clearing house for the federal reserve banks, and it might, should it so desire, require each federal reserve bank to act as a clearing house for its member banks.

The Federal Reserve Board, realizing that it was facing one of the most difficult problems involved in the formation of the federal reserve system, moved very cautiously in taking advantage of the powers conferred in the act.<sup>3</sup> The first step was taken, not by the board, but by the Federal Reserve Banks of Kansas City and St. Louis, which in December, 1914, received permission from the board to establish a system requiring all member banks in those districts to remit at par on checks forwarded to them by their federal reserve banks. After much study and investigation, the Federal Reserve Board instituted a *voluntary* system of par remittance for all member banks in June, 1915. Thereupon the Federal Reserve Bank of Kansas City abolished its compulsory plan.<sup>4</sup> At this time the gold settlement fund was set up in Washington for the purpose of facilitating clearings between federal reserve banks. The plan making it optional with the member banks as to whether they would remit to the federal reserve banks at par proved to be a failure, only 25 per cent of the member banks

<sup>3</sup>First Annual Report of the Federal Reserve Board, 1914, pp. 19-20.

<sup>4</sup>Second Annual Report of the Federal Reserve Board, 1915, p. 16.

agreeing so to remit. Checks upon those member banks which refused to remit at par under this plan were not handled by the federal reserve banks. The Federal Reserve Board soon decided to compel all member banks to remit at par on checks forwarded to them by the federal reserve banks. The compulsory plan went into effect in July, 1916,<sup>5</sup> in the face of intense opposition on the part of the country national banks, many of whom threatened to retire from the federal reserve system and take out state charters because of the impending loss in exchange charges. These threats were not, however, carried into effect.

Under the compulsory plan no member bank was required to send items to the federal reserve banks for collection, but it was required to remit at par for checks drawn upon it which came into the possession of the federal reserve banks and were returned by the reserve banks for payment. It should be constantly borne in mind that even up to the present time banks can still make exchange charges against each other. It is only on remittances to the federal reserve banks that such deductions may not be made. The compulsory plan laid the foundation for the collection of checks upon nonmember banks also; for while there was as yet no authority for permitting nonmembers to deposit checks in the federal reserve banks for collection, the member banks could send to the reserve banks for collection checks upon those nonmembers who would agree to remit at par to their district federal reserve bank. A charge of 1½¢ for each item was at first imposed by the federal reserve banks for the service of check collection. This charge was resented by the member banks but it was necessitated because of the small earnings of the reserve banks during the first years of their existence. This charge was abolished July 15, 1918.

After par remittance was made compulsory for all member banks, it was thought to be desirable to amend the law so as to give specific permission to the federal reserve banks to receive checks drawn upon nonmember banks. With this aim in view, the Federal Reserve act was again amended September 7, 1916, by striking out the words in section 13 which had limited eligible checks to those drawn upon solvent member banks only. This left as the only requirement for checks eligible for receipt by the federal reserve banks that they should be payable upon presentation. As a result of this change, approximately 8,000 nonmember banks had agreed to remit at par to the federal reserve banks by the end of 1916, making a total of approximately 15,000 banks so remitting on that date.<sup>6</sup> While the nonmember banks were not able, under the law as it then stood, to send checks directly to the federal reserve banks for collection, actually

<sup>5</sup>Third Annual Report of the Federal Reserve Board, 1916, p. 9.

<sup>6</sup>Third Annual Report of the Federal Reserve Board, 1916, pp. 10 and 134.

they were able to collect upon banks remitting at par; for they sent checks to correspondents who were member banks, and these correspondents deposited the checks in the federal reserve banks.

It was soon felt that it would be fairer to those nonmember banks who had agreed to remit at par if they were given permission to collect checks directly through the federal reserve banks, instead of using their correspondents for this purpose. As a result of this feeling, the Federal Reserve act was again amended on June 21, 1917, to permit a nonmember bank to open a clearing account with the federal reserve bank, if the nonmember bank would agree to maintain with the federal reserve bank a balance sufficient to cover items in transit.<sup>7</sup> As a matter of fact, few nonmembers have availed themselves of this privilege, for while remitting at par to the federal reserve bank they have preferred to continue the use of their city correspondents as collecting agencies, for the balances so built up with their correspondents can, under most state laws, still be counted as legal reserve the moment the checks are mailed to the city correspondent. This fact is probably the chief reason why so many eligible nonmember banks refuse to join the federal reserve system, for as members they could no longer count this "float" as reserve.

Another amendment to section 13 of the Federal Reserve act, made on June 21, 1917, was to play the central part in the struggle which developed later when the federal reserve banks endeavored to force the exchange deducting banks to remit at par. This is the Hardwick amendment, the object of which as proposed by Senator Hardwick was to permit a reasonable exchange charge to be made by banks so desiring. As passed, the amendment permits banks to make a reasonable charge, to be determined by the Federal Reserve Board and not exceeding 10 cents per \$100, based on the total of checks and drafts presented at any one time. Under pressure from the administration and the Federal Reserve Board the following clause was added: "But no such charges shall be made against the federal reserve banks." The force of this restrictive clause was not fully realized at first by the opponents of par remittance, but when the Attorney General of the United States gave as his opinion that this clause prevented the deducting of exchange charges on checks forwarded to drawee banks by federal reserve banks, and that checks drawn on banks making such deductions could not be collected through the federal reserve banks,<sup>8</sup> the cry arose that the insertion of this clause had been brought about by unfair methods. Incidentally, the decision of the Attorney General, that the Federal Reserve Board had no power to fix exchange charges for banks which were neither members nor depositors

<sup>7</sup>*Fourth Annual Report of the Federal Reserve Board, 1917, pp. 23.*

<sup>8</sup>*Federal Reserve Bulletin, May 1, 1918, pp. 367-71.*



in federal reserve banks, was disappointing to federal reserve officials, for it seemed to restrict the broadening of the area of par remittance.

Officers of the federal reserve system were tireless in their efforts to persuade more and more nonmember banks to remit at par. Progress continued to be made during 1917, with the result that at the end of that year approximately 17,000 banks were remitting in full. During 1918 two thousand more banks agreed to remit at par. During this year pressure began to be exerted to force the exchange-charging banks to remit at par. Nearly all of the New England banks had remitted at par for years. The Federal Reserve Bank of New York had by various methods of persuasion induced all except a few banks in that district to remit at par by the end of 1918. A conference of federal reserve agents was held in Washington in December, 1918, and it was decided to make strenuous efforts to increase the number of banks on the par list. It was believed by the officers of the federal reserve banks that, so long as approximately 10,000 banks refused to remit to the federal reserve banks at par, the country would be denied the benefits of a universal par remittance system; for, because of the prohibition contained in the Hardwick amendment, checks upon such banks could not be handled through the federal reserve system. These exchange-charging banks had, however, since the beginning collected checks upon banks remitting at par, with the help of their city correspondents who acted as collecting agencies. They received the benefits of the system but refused to share in the expenses.

The method used to increase the number of banks agreeing to remit at par was, first, to persuade as many banks as possible in one state in each district to remit at par. When only a few recalcitrant banks were left in that state, the federal reserve bank would announce that upon a certain date all the banks in that state would be placed upon the par list. Since it has been generally held that banks must pay in full in cash all checks drawn upon them which are presented over the counter, checks upon the banks still refusing to remit at par would be presented at the counter by an agent of the federal reserve bank, instead of being returned through the mail. Express companies were used as such agents in numerous cases. Even the local post office acted in this capacity in some cases for a limited period. Where a member bank was located in the same town, the federal reserve bank sent the checks to this bank for presentation at the counter of the exchange-charging bank. Often, however, where no such agents were available, members of the staff of the federal reserve bank made long trips at considerable expense in order to collect the full amount of the checks over the counter of the drawee bank. Such methods naturally aroused a storm of protest from the banks affected. The federal reserve banks retorted that since under the law they could not pay

exchange, and since a bank must pay checks drawn upon it over the counter without deduction, it was necessary to use such methods because the Federal Reserve act clearly placed upon the federal reserve banks the duty of bringing about universal par remittance, and they could collect at par in no other way.

Few of the exchange-charging banks could withstand these methods of compulsion, because of the large amount of cash needed to meet checks presented in this manner. They began to yield, and recalcitrant banks in state after state began to remit at par. They made vigorous protests and announced that the federal reserve banks were trying to ruin them. By the end of 1919 the number of banks on the par list had been brought to approximately 25,500, while the number of exchange-charging banks was reduced to approximately 4,000.<sup>9</sup> Continued pressure by the federal reserve banks forced all but 1,700 banks on the par list by the beginning of 1921. These reluctant banks were all in the Richmond, Atlanta, and Kansas City districts.

It began to look as though nation-wide par remittance would soon be a reality. The campaign of compulsion had wisely left the southern banks alone until the rest of the country was forcibly converted. With the attempt to force these southern banks into line, the storm broke with violence. From the beginning of the federal reserve collection system a number of bankers had wished to test in the courts the power of the federal reserve banks to enforce par remittance. When pressure began to be brought upon the southern banks, many bankers decided that organized opposition to the federal reserve banks was necessary to protect what they believed to be their rights. So the National and State Bankers' Protective Association was organized in Atlanta early in 1920. Its avowed purpose was to preserve the right to charge exchange for banks so desiring. State legislatures in the South and West came to the aid of this association. Beginning with Mississippi in March, 1920, the state legislatures of Louisiana, South Dakota, Georgia, Alabama, North Carolina, Tennessee, and Florida passed laws during 1920 and 1921 making it legal for banks in those states to deduct exchange on checks presented to them by an agent of the federal reserve bank.<sup>10</sup> The majority of these state laws made it illegal to protest a check because of refusal to remit in full. The North Carolina statute gave rise to an important law suit which will be discussed later.

When the Federal Reserve Bank of Atlanta announced, early in 1920, that it would upon a certain date place all banks in that district upon the par list, and make presentation of checks at the coun-

<sup>9</sup>*Sixth Annual Report of the Federal Reserve Board, 1919, p. 40.*

<sup>10</sup>The statutes passed by Miss., La., S. Dak., Ga., and Ala. are printed in *Seventh Annual Report of the Federal Reserve Board, 1920, pp. 327-9.*

ters of the resisting banks, a number of Georgia banks secured an injunction in the Superior Court of Fulton County, Georgia, restraining the Federal Reserve Bank of Atlanta from collecting checks drawn upon the plaintiff banks in any other manner than through the mails. The plaintiffs contended that the federal reserve bank was saving the checks until it had accumulated a large number and then presenting them at the counter of the drawee banks for payment in full in cash, in the hope that the banks would either be forced to give in or go out of business. The Federal Reserve Bank of Atlanta denied this contention and secured the removal of the case to the United States District Court for the Northern District of Georgia. The plaintiff banks claimed that the federal courts had no jurisdiction. This claim was rejected. The Federal Reserve Bank of Atlanta demurred to the complaint of the plaintiff banks. The federal court upheld the demurrer, which meant that the facts, as stated by the plaintiffs, did not constitute a cause of action. The plaintiffs took the case on appeal to the United States Circuit Court of Appeals for the Fifth Circuit where on November 19, 1920, the degree of the lower federal court was affirmed.<sup>11</sup>

The state banks again appealed, this time to the United States Supreme Court, where on May 16, 1921, a decision was rendered upholding the jurisdiction of the federal courts in the matter, but reversing the decision of the lower United States courts on the question as to whether a cause of action had been stated in the complaint. The case was sent back to the lower federal courts for trial to see whether the plaintiffs could prove what they alleged, namely, the use of oppressive methods by the Federal Reserve Bank of Atlanta to force the state banks to remit at par. The Federal Reserve Bank of Atlanta had contended that the holder of a check had an *absolute* right to present it at the counter of the drawee bank for payment in cash. The United States Supreme Court denied the validity of this contention. The court, speaking through Mr. Justice Brandeis, declared that no rights are absolute, for they are limited by the rights of others, and the rights of the Federal Reserve Bank of Atlanta in this case were limited by the rights of the state banks who should be given a chance to prove what they alleged.<sup>12</sup>

The state banks were jubilant over this decision, especially so because the concluding words of the decision seemed to show that the court was sympathetic with the attitude of the state banks. But their joy was short lived for, after a trial, the United States District

<sup>11</sup>This decision is found in the *Seventh Annual Report of the Federal Reserve Board*, 1920, pp. 330-34. Also in 269 Fed. 4.

<sup>12</sup>*American Bank and Trust Co. v. Federal Reserve Bank of Atlanta*, 256 U. S. 350. Also, *Eighth Annual Report of the Federal Reserve Board*, 1921, pp. 357-8.

Court for the Northern District of Georgia decided on March 11, 1922, that the Federal Reserve Bank of Atlanta had violated no rights of the plaintiff banks in presenting checks at their counters.<sup>13</sup> It should be mentioned, however, that before the trial the defendant reserve bank had agreed that in the future it would accept a draft on a correspondent bank in payment for checks presented at the counter. Up to that time the Federal Reserve Bank of Atlanta had insisted upon payment in actual cash for checks presented over the counter. This was an important modification in the attitude of the defendant reserve bank and removed much of the pressure from the state banks. The decision of the lower court was sustained on appeal, November 2, 1922, by the United States Circuit Court of Appeals for the Fifth District. This court agreed with the lower federal court that no evidence had been offered to sustain the charge that the Federal Reserve Bank of Atlanta had attempted to oppress the state banks or drive them out of business.<sup>14</sup> The state banks again appealed to the United States Supreme Court, which on June 11, 1923, affirmed the decisions of the lower federal courts.<sup>15</sup> The plaintiff banks had contended that it was beyond the powers of the federal reserve banks to collect checks on banks which were not members of the federal reserve system, or affiliated with it by the establishment of exchange balances, where these banks had definitely refused to remit at par. The Supreme Court denied the validity of this contention, both under the common law and the Federal Reserve act, as the federal act definitely provided for the collection of all checks payable upon presentation within each federal reserve district. The court said in part:

Federal reserve banks are, thus, authorized by Congress to collect for other reserve banks, for members, and for affiliated nonmembers, checks on any bank within their respective districts, if the check is payable on presentation and can in fact be collected consistently with the legal rights of the drawee without paying an exchange charge. Within these limits federal reserve banks have ordinarily the same right to present a check to the drawee bank for payment over the counter, as any other bank, state or national, would have.

The findings of fact negative the charges of wrongful intent and of coercion. The federal reserve bank has formally declared that it is willing, when presenting checks, to accept in payment a draft of the drawee bank upon its Atlanta correspondent or a draft upon any other solvent bank—if collectible at par. Country banks are not entitled to protection against legitimate competition. Their loss here shown is of the kind to which business concerns are commonly subjected when improved facilities are

<sup>13</sup>*Ninth Annual Report of the Federal Reserve Board, 1922*, pp. 258-9. Also 280 Fed. 940.

<sup>14</sup>*Ibid.*, (Fed. Res. Board), pp. 259-61. Also 284 Fed. 424.

<sup>15</sup>*Federal Reserve Bulletin*, July, 1923, pp. 788-9. Also 261 U. S.

introduced by others, or a more efficient competitor enters the field. It is a *damnum absque injuria*.

The decision must be regarded as a victory for the Federal Reserve Bank of Atlanta, and is important because it settles the question as to the right of a federal reserve bank to collect checks drawn upon a nonmember bank which refuses to remit at par. Whether a federal reserve bank can always insist upon payment in actual cash was not decided in this case.

A different question was at issue in the North Carolina case. All banks in that state had been placed on the par list late in 1920 by the Federal Reserve Bank of Richmond, and presentation of checks over the counter had been made in a number of cases in order to force the banks to agree to remit at par. By a statute, approved February 5, 1921, North Carolina came to the assistance of the exchange-charging banks. This statute provided in part that banks in that state could deduct exchange in making remittances, and also where the drawer of a check had not directly specified to the contrary, North Carolina banks might pay checks presented at their counters by agents of the federal reserve bank in their own exchange drafts drawn upon their reserve deposits in other banks instead of in cash. The Federal Reserve Bank of Richmond at once declared that this law violated the federal Constitution, and refused to abandon its policy of presenting checks for payment in cash. When the banks refused to pay such checks in cash and offered exchange drafts, the agents of the federal reserve bank refused to accept the drafts and returned the checks dishonored. On February 29, 1921, several North Carolina banks secured an injunction in the Superior Court of Union County restraining the Federal Reserve Bank of Richmond from returning as dishonored any checks drawn upon the plaintiff banks and presented at the counter by an agent of the federal reserve bank, where the plaintiffs had tendered in payment their exchange drafts. The Federal Reserve Bank of Richmond then discontinued the acceptance of checks which were drawn upon the plaintiff banks, but continued to accept for collection checks upon all other nonmember banks and to continue presentation at the counters of these banks where they refused to remit at par. As a result, many more banks joined with the original plaintiffs to get the advantage of the injunction, until approximately 270 banks had so joined.

The Federal Reserve Bank of Richmond attempted to secure a transfer of the case to the federal courts, but failed because it was decided that the sum involved was not large enough to give jurisdiction to the federal courts. The case went up to the Supreme Court of North Carolina which, in May, 1922, unanimously reversed the lower state courts on the ground that the statute under which the injunction was

granted violated the federal Constitution." The court stated that the provision in the Federal Reserve act forbidding the payment of exchange charges by federal reserve banks was a valid constitutional provision. The North Carolina Statute giving power to state banks to remit in exchange for less than the face value of checks presented for payment was in direct conflict with the Federal Reserve act. The court said, "In such a conflict of authority, the federal law is supreme," and also, "No act of this state can authorize the drawee bank to pay less than the face amount of the check drawn upon it by its depositors or to remit its check in payment or pay for it otherwise than in legal tender." This statement apparently upheld the contention of the federal reserve bank that an exchange draft was not legal tender.

The state banks took the case on a writ of certiorari to the United States Supreme Court, and the result was awaited with much interest. The decision was announced on June 11, 1923. It reversed the decision of the Supreme Court of North Carolina, and upheld the constitutionality of the North Carolina statute.<sup>17</sup>

The argument that the North Carolina statute was unconstitutional was based by the attorneys for the Federal Reserve Bank of Richmond upon five contentions. The first of these was that the authorization for payment of checks by drafts on reserve deposits violated article 1, section 10, clause 1 of the federal Constitution, which prohibits a state from making anything except gold and silver coin legal tender in payment of debts. Mr. Justice Brandeis, speaking for the court, denied the validity of this argument on the ground that the debt of the bank was solely to the depositor who had drawn the checks. The bank owed no debt to the holder of a check. Therefore paying a check was not paying a debt, and the check need not be paid in gold or silver coin. There was nothing in the federal Constitution to prevent the drawer assenting to the payment of a check in an exchange draft, and it was perfectly proper to presume such consent where the drawer had not specified to the contrary. The rights of the payee or the holder of the check were not violated, since these persons take the check "subject to the construction and with rights conferred by the laws of North Carolina, the place of the bank's contract and of performance."<sup>18</sup>

The second contention was that section 2 of the North Carolina statute violated the due process clause of the federal Constitution.

<sup>17</sup>*Farmers and Merchants Bank of Monroe v. Federal Reserve Bank of Richmond, Ninth Annual Report of the Federal Reserve Board, 1922, pp. 261-5. Also Fed. Res. Bull., June 1922, pp. 701-3.*

<sup>18</sup>*Fed. Res. Bull., July, 1923, pp. 789-93.*

<sup>19</sup>*Fed. Res. Bull., July, 1923, p. 791.*



The Richmond Bank argued that the right to engage in the collection of checks was a valuable property right because the federal reserve bank might, if it so desired, obtain revenue from charges made for this service. To permit the payment of checks presented at the counter in exchange drafts deprived the federal reserve bank of liberty of contract and of an important branch of its business, since the collection of checks could not be conducted under such a limitation. But the Supreme Court refuted this argument by stating that, in this respect, "the statute is merely an exercise of the police power, by which the banking business is regulated for the purpose of protecting the public and promoting the general welfare."

The third contention was that the North Carolina statute violated the equal protection clause of the federal Constitution, for other banks than the federal reserve banks might demand payment in cash unless presentation was made through an express company or post office. But the court replied that a state might "direct its police regulations against what it deems an existing evil, without covering the whole field of possible abuses." Legislation might be directed solely and specifically against "a particular instrument of trade war," and the prohibition might be limited only to the conditions and concerns which the legislature believed were a menace to the public welfare. The North Carolina legislature was therefore upon sound ground in this respect."

The fourth and fifth contentions formed the basis for the strongest attack upon the North Carolina statute. The first of these claimed that this statute conflicted with the Federal Reserve act because it prevented the federal reserve banks from collecting checks upon banks which refused to remit at par. This argument rested upon the assumption that the Federal Reserve Bank of Richmond was required by law to receive for collection any check upon any North Carolina bank, if the check was payable upon presentation, and that the obligation extended to collection at par. But the court replied that nothing in the Federal Reserve act *obliged* reserve banks to receive checks for collection. The act was not compulsory but merely permissive in this respect. Even if the reserve banks were compelled to collect checks for authorized depositors there was nothing in the act requiring them to do so where the drawee bank refused to remit at par. The court said, "There is surely nothing in the act to indicate that reserve banks must undertake the collection of checks in cases where it is impossible to obtain payment except by incurring serious expense: as, in presenting checks by special messenger at a distant point." In addition, checks which the reserve banks may receive are limited to those "payable on presentation." This phrase, said the court, implied that such checks must be payable either in cash or in funds be-

"*Fed. Res. Bull.*, July, 1923, p. 792.

lied by the reserve bank to be the equivalent of cash. A check payable at the option of the drawee bank in an exchange draft on reserve deposits would, in the opinion of the court, seem to be not payable on presentation, and hence not eligible for receipt by the federal reserve banks.<sup>20</sup>

Finally, it was claimed by the Federal Reserve Bank of Richmond that the North Carolina statute was in conflict with the Federal Reserve act because its effect was to prevent the Federal Reserve Board from establishing a universal par clearance and collection system, a duty which the board claimed had been imposed upon it by the Federal Reserve act. The court, however, rejected this argument with finality. Mr. Justice Brandeis stated that there was nothing in the original act or any amendment thereto which could possibly be construed as imposing upon the Federal Reserve Board the duty of creating a universal par clearance and collection system including all banks in the country whether member or nonmember. The only use of the word "par," he said, was in section 16 of the act; and the evidence was clear that the provisions in that section requiring the receipt of checks on deposit at par by the federal reserve banks had no application whatever to checks drawn on banks which were not members of the federal reserve system. Furthermore, the Hardwick amendment of June 21, 1917, which definitely permitted all banks, even member banks, to continue to make exchange charges against all other banks except the federal reserve banks, showed that it was not expected by Congress that the federal reserve banks would become the universal agency for collecting all checks at par. Had such intent been present, said the court, the act would have been so framed as to make any exchange charge impossible. But the Hitchcock amendment specifically retained for all banks so desiring, the right to make deductions in remitting for their own checks to banks other than the federal reserve banks.

That this decision was a disappointment to the officers of the federal reserve system is freely admitted by them. The campaign to force all banks in the country to remit at par had been based upon the belief that the federal reserve banks were only carrying out a duty imposed upon them by law. That particular justification for the campaign to enforce par remittance was removed by this decision; and the contention of the opponents of par remittance, that the officers of the federal reserve banks were not required by law to force par remittance upon unwilling nonmember banks, received the approval of the highest court of the land. Largely as a result of this decision, the number of banks refusing to remit at par is steadily growing, until over 3,300 now refuse so to remit. During the most successful period of the

<sup>20</sup>*Fed. Res. Bull.*, July, 1923, p. 792.

movement for par remittance almost all of the recalcitrant banks were located in the South. The past few months have witnessed increasing withdrawals from the par list in the Chicago, Minneapolis, and San Francisco districts. The establishment of a universal par remittance system has received a decided setback.<sup>21</sup>

Shortly after the decision in the North Carolina case the Federal Reserve Board revised its regulations dealing with the clearing and collection of checks. The board felt that, since it had been determined that there was no obligation resting upon it to establish a universal par remittance system, and since the federal reserve banks could not pay exchange, certain changes in the methods of handling checks upon exchange charging banks were necessary. The board therefore stated:<sup>22</sup> "It is clear that those nonmember banks which are unwilling to remit without deduction for checks drawn on themselves have no right to share in the advantages of the par collection system."

Section III of the revised regulations read in part as follows:<sup>23</sup>

(c) No federal reserve bank shall receive on deposit or for collection any check drawn on any nonmember bank which refuses to remit at par in acceptable funds.

(d) Whenever a federal reserve bank receives on deposit or for collection a check drawn by, indorsed by, or emanating from any nonmember bank which refuses to remit at par in acceptable funds, it shall make a charge for the service of collecting such checks of one tenth of 1 per cent, the minimum charge to be 10 cents for each item.

It was announced by the board that these regulations were to go into effect on August 15, 1923. The effect of the regulations would have been to exclude from the federal reserve check collection system all checks drawn on nonmember banks refusing to remit at par, and to handle checks drawn by, indorsed by, or emanating from such banks only at a certain charge for the service. So much protest was made

<sup>21</sup>No mention is made in this article of the injunctions secured against the Federal Reserve Banks of San Francisco and Cleveland. These cases were *Brookings (Ore.) State Bank v. Federal Reserve Bank of San Francisco*, and *Farmers and Merchants Bank of Catlettsburg, Ky. v. Federal Reserve Bank of Cleveland*. The decisions in both cases were rendered by U. S. District Courts against the federal reserve banks on the ground that the methods used by the agents of the federal reserve banks to collect checks infringed the rights of the plaintiff banks. The San Francisco case was not appealed by the federal reserve bank. The Cleveland case has not yet been finally decided on appeal. The issues so far determined are not of sufficient importance to merit longer treatment here. The decisions are found in the *Annual Report of the Federal Reserve Board for 1922*, pp. 265 and 271. For a more complete discussion of the legal aspects of these cases and of the early decisions in the Atlanta and Richmond cases, see "Par Clearance of Checks," C. T. Murchison, *North Carolina Law Review*, January, 1923, pp. 133-52; also see "The Federal Reserve Banks System of Par Collection," Howard H. Preston, *Journal of Political Economy*, July, 1920, pp. 565-90.

<sup>22</sup>*Federal Reserve Bulletin*, July, 1923, pp. 773-4.

<sup>23</sup>*Ibid.*, August, 1923, p. 903.

against certain provisions of the regulations that the board decided to postpone the date upon which they were to go into effect.<sup>28</sup> The main objections that were raised had to do with section (d), quoted above, for a number of the officers of the federal reserve banks believed that it would not be desirable to charge for collecting checks drawn *by* nonmember nonremitting banks. A further objection raised was that the charge for the service was too large, as the minimum was ten cents for each item. Under these regulations a check drawn on a member bank but indorsed by a nonremitting nonmember bank would have been subject to this charge. This stipulation was attacked by the members of the Federal Advisory Council, because of possible undesirable effects upon member banks.<sup>29</sup> However, there was little objection to the decision to refuse to receive on deposit checks on nonmembers which could not be collected at par. Until the final decision was reached, the federal reserve banks refused to receive checks which were drawn on nonmember banks which refused to remit at par in acceptable funds.

Meanwhile, a solution proposed by the opponents of par remittance was presented at a joint meeting of the Federal Reserve Board and a committee of governors of the federal reserve banks on August 1, 1923. The sponsors for this plan were Mr. Charles DeB. Claiborne of New Orleans, chairman of the Committee of Five on Exchange of the American Bankers' Association, and Mr. L. R. Adams of Atlanta. This plan became known as the "Claiborne-Adams Check Collection Plan." It provided that each federal reserve bank was to receive on deposit *at par* from the member banks and nonmember clearing banks in that district for *immediate* credit and availability, checks which were payable in that district and which were drawn upon any bank which agreed to remit at par in funds acceptable to the federal reserve bank. It will be seen at once that this plan would have done away in large part with the present scheme of "deferred availability" under which checks deposited in the federal reserve banks cannot be subject to check or counted as reserves until a certain number of days, as stated in the time schedule, have elapsed. The "deferred availability" system was created to abolish the old practice under which checks in transit were counted as reserves. The Claiborne-Adams plan retained, however, the "deferred availability" system with regard to checks drawn upon banks situated in another district than that of the federal reserve banks in which they deposited, and checks drawn upon banks both within and outside of the district which refused to remit at par. Checks drawn upon banks refusing to remit at par and upon banks outside of the district were to be received by the federal

<sup>28</sup>*Fed. Res. Bull.*, Aug., 1923, p. 877.

<sup>29</sup>*Ibid.*, October, 1923, p. 1089.

reserve banks as forwarding agents only and for deferred credit only. When such checks were sent to the drawee bank, this bank might remit to the federal reserve bank in an exchange draft covering the face value of the checks minus a deduction of not over ten cents for each \$100 of checks, but in no case to be less than ten cents for any one remittance. This plan evaded the prohibition contained in the Hitchcock amendment against the payment of exchange charges by the federal reserve banks, as it specified that the charge was not made against the federal reserve bank but against the bank for whom the federal reserve bank acted as forwarding agent. The result would have been that exchange charges deducted by drawee banks in remitting for checks sent to them by the federal reserve banks would have been passed on to the bank depositing the checks in the federal reserve bank. It should be clearly understood that under the proposed Claiborne-Adams plan all member banks would be permitted to make such deductions should they so desire on checks returned from a bank in another district. In short, this plan opened the door for a substantial abandonment of the par remittance system built up at so much expense and difficulty by the federal reserve banks.

The Claiborne-Adams plan was referred by the Federal Reserve Board to an advisory committee of the Governors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, and Chicago. This committee reported that it was unanimously opposed to the plan for the following reasons: 1. The granting of immediate credit on certain checks would reinstate one of the glaring faults of the old banking system in that it would build up an enormous fictitious reserve, adding probably \$300,000,000 to the "float" and reducing the actual reserves to this extent; 2. Annual exchange charges amounting to over \$100,000,000 would again be imposed upon the business of the country; and 3. Immediate credit would probably have to be given on the majority of checks—for example, a bank in the Cleveland District, instead of sending a check drawn on a bank in the Chicago District to the Federal Reserve Bank of Cleveland for collection, would send the check to a correspondent in the Chicago District and this correspondent could obtain immediate credit. This advisory committee recommended that the Federal Reserve Board should announce the rejection of the Claiborne-Adams plan as a solution. The committee also recommended, and the Federal Reserve Board so ordered, that any federal reserve bank which was still using any agent which was not a bank for the collection of checks should cease this practice at once.<sup>28</sup>

The matter of finding a satisfactory solution of the par remittance

<sup>28</sup>*Fed. Res. Bull.*, Nov., 1923, p. 1194.

question was placed before the Federal Advisory Council, which met in Washington during September, 1923. Several of the governors and federal reserve agents were in Washington at this time, and a vigorous attempt was made to determine what the future policy of the federal reserve system should be. In its report, the Federal Advisory Council recommended the rejection of the Claiborne-Adams plan for the same reasons put forth by the advisory committee of governors.<sup>7</sup> Those bankers supporting the Claiborne-Adams plan claim that "deferred availability" of checks under the federal reserve collection system prevents the system from actually being one of par collection, as the loss of the use of funds until the checks are collected acts as a charge upon the banks sending in the checks. This complaint has not sufficient merit to warrant serious attention, as the evils of "immediate availability" are well known.

That it was a very difficult matter to reach a decision is shown by the fact that not until May 9, 1924, was Regulation J, dealing with the clearing and collection of checks, issued in final form by the Federal Reserve Board. The Claiborne-Adams plan was not adopted. Paragraph 3 of section III of the revised regulations merely states that no federal reserve bank "shall receive on deposit or for collection any check drawn on any nonmember bank which cannot be collected at par in funds acceptable to the Federal Reserve Bank of the district in which such nonmember bank is located." One important change from the 1923 regulations should be noted. Paragraph (d) of Section III of the 1923 regulations, which provided for a charge by the federal reserve banks for handling checks drawn by, indorsed by, or emanating from nonremitting nonmember banks, does not appear in the new regulations. Apparently the objections to such charges were so vigorous that it was decided not to put them into effect at this time. Certain officers of the federal reserve system felt that such charges would drive the collection of a large number of checks out of the hands of the reserve banks and do more harm than good. The solution which has apparently been reached is merely that the federal reserve banks cannot handle checks drawn *on* nonmember banks which refuse to remit at par.

Meanwhile, there are prospects of a new suit against the federal reserve banks to break down the clearing and collection system still further. Opponents of par remittance, having gained the decision that nonmember banks cannot be forced to remit at par, are endeavoring now to find a national bank which is willing to enter suit against some reserve bank for the purpose of regaining the right to deduct exchange on checks, even if this means that the federal reserve

<sup>7</sup>*Fed. Res. Bull.*, Oct., 1923, p. 1089.



banks must cease handling checks on national banks desiring to deduct exchange. These opponents of par remittance claim that nothing in the Federal Reserve act requires even member banks to remit to the federal reserve banks at par, and they desire to obtain a decision from the United States Supreme Court on this point. They claim that they expect to stop the federal reserve banks from receiving for collection any checks except those "payable upon presentation within its district." They also expect to force the federal reserve banks to give immediate credit for those checks which the Federal Reserve act says the reserve banks "shall receive on deposit at par." Whether these expectations are to be fulfilled will take some time to determine. Should the opponents of par remittance be successful in this suit, another serious blow will have been dealt the federal reserve clearing and collection system. While the situation could be remedied by further amendment of the Federal Reserve act, it is not certain that this amendment could be secured.

Few economists today believe that there is any justification for the deduction of exchange by a drawee bank in remitting for checks. Where remittance involves expense the proper person to bear this expense is the depositor who draws the check. The burden should not fall upon the holder of the check. But exchange-charging banks claim that competition for accounts renders it almost impossible to make the drawer of the check pay this charge. If one bank tries it, the depositor is apt to transfer his account to a bank which performs the service for nothing. These banks also claim that for the same reason it is impossible to require the depositor to maintain a balance large enough to offset the expense in paying the checks the depositor sends out of town. But inability to place the charge where it belongs does not justify the attempt to collect from some one else. Whatever loss is involved should be classed as one of the costs which competition forces banks to assume. Furthermore, the development of the federal reserve collection system has reduced the expense in the transmission of funds to a very small sum.

The increase in withdrawals from the par list since the federal reserve banks abandoned their policy of compulsion is disturbing, although 90 per cent of all banks in the country still remit at par. An annoying feature is that the present situation requires the existence of two collection systems, one under the federal reserve banks, and the other outside of the federal reserve system for collecting checks drawn on nonremitting banks. If these exchange-charging banks could not collect checks on so many other banks at par, there would be little or no profit in it for them. Most of them are able, through their correspondents who are members of the federal reserve collection system, to collect at par on all banks so remitting.

There is one force which, if brought to bear strongly enough, may induce more banks to remit at par. Business concerns in increasing numbers are requesting their customers to remit in checks which are payable at par through the federal reserve banks. Much can probably be done along this line, although here again competition between these business concerns makes progress slow. Probably the business community is not generally aware of the advantages of par remittance in bringing about a reduction in the general cost of doing business. But the attitude of the business community will largely determine whether the area of par remittance is to be again extended or reduced still further. Such organizations as the National Association of Credit Men are aware what a return to the old system of exchange charging means, for it is highly desirable that checks should pass as freely as possible in business transactions without being subject to exchange charges which have so often been likened to tolls upon commerce.

The federal reserve banks cannot be expected to carry the burden of the struggle in the future. To do so would incur additional hostility in sections of the country which already regard the federal reserve banks with disfavor. It would not be advisable, therefore, to amend the Federal Reserve act to require the federal reserve banks to enforce par remittance. If the general commercial and business interests of the nation do not see fit to do their part in abolishing exchange charges, then the date of accomplishing a universal nation-wide system of par remittance must be postponed to a far distant future.<sup>20</sup>

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<sup>20</sup>The campaign to force the Federal Reserve Board to permit national banks to deduct exchange charges is now (Oct. 15, 1924) definitely launched. The Pascagoula National Bank of Moss Point and Pascagoula, Mississippi, has brought suit in the federal court at Atlanta to enjoin the Federal Reserve Bank of Atlanta from continuing to require remittance at par from national banks. This bank is endeavoring to secure damages to the extent of its loss in exchange during the last six years. The Claiborne-Adams plan has been revised so as to require an exchange charge upon all checks returning to a remitting bank from outside of its federal reserve district. The revision also proposes that immediate credit would not be given on any check returning from another reserve district. This removes one of the objections to the plan raised by the Federal Reserve Advisory Council and the Board of Governors. It is no longer possible to follow the number of withdrawals from the par list, for since July, 1924, the *Federal Reserve Bulletin* no longer contains statistics on check clearings and collections.

## ECONOMICS AND PORTLAND CEMENT PRICES

A little book recently published, *Portland Cement Prices*,<sup>1</sup> merits the attention of economists by virtue of the important problem it treats, if not for the soundness of its conclusions. The senior author is the well-known professor and authority on banking in Columbia University; his junior associate is instructor in economics in the College of the City of New York. Quoting the preface: "The work was undertaken at the request, and in behalf of some leading producers of Portland cement in the eastern district of the United States who have felt that the actual facts with regard to the economic conditions by which Portland cement prices are determined should be made available." The study was under way almost a year, the industry furnishing the authors with freedom of access to whatever they desired and freedom of action in the results to be arrived at. The authors properly, therefore, assume complete responsibility for the statements both of fact and opinion, explaining that the final expressions of opinion presented are those which have been independently reached by the writers.

Very patently, the special occasion for engaging the economists to make this study is closely connected with the suit under the Sherman Anti-Trust act begun by the government in a petition June 30, 1921, against the Cement Manufacturers Protective Association. The manufacturers and their counsel recognized that economic opinion might have some influence upon the outcome of that suit. They were following a plan pursued with notable success by the defense in the Steel Dissolution suit a few years before. The present suit was decided adversely to the defendants in the Federal Court of the Southern District of New York, about two months before this book was published. The defendants have appealed the case to the Supreme Court of the United States where it will probably be argued sometime in December, 1924. The publication of the book suggests that the manufacturers, believing the public and the court to be under a misapprehension, still hope to win ultimately a favorable verdict, and are relying in part upon the authority of this book for that purpose.

The general subject of the work is "the position, history and elements of the present price of Portland cement." The authors undertake "to explain the way in which prices are determined, changed, and regulated by economic conditions and to apply tests which may serve to provide the basis for a judgment of their character." Among these various aspects of the problem of cement prices, that of uni-

<sup>1</sup>*Portland Cement Prices: Their Basis, Character, and Present Position*, by H. P. Willis and J. R. B. Byers. (New York: The Ronald Press. 1924. Pp. vii, 123. Cloth, \$1.25.)

formity of prices holds the central place. The immediate practical reason for this is clear; in the petition and suit against the Association the "tendency toward uniformity" (as the authors call it) was urged by counsel for the government as one of the chief evidences of some price agreement, whereas the manufactures maintained that (as the authors express it, p. 31) "the actual price made to the buyer at any given point is simply the figure which is determined by the operation of the law of demand and supply." This proposition and the economic argument, aside from some differences in the specific conditions in the two cases, are fundamentally the same as those presented by the Steel Corporation in the Pittsburgh-plus case.<sup>2</sup> It may make for economy of time, while affording a fair test of the authors' manner of treating economic problems, if we confine our attention almost entirely to this one topic, uniformity of prices. Let it be observed that our review is limited to strictly economic phases of the problem and does not attempt to touch the legal aspects.

What is meant by "uniformity of prices" in the cement industry? Unless the term is clearly defined and kept clearly in mind throughout the discussion the result must be confusion and error. The term has a number of possible meanings and is used frequently in the book, usually without any indication that the authors perceive these differences and sometimes with plain indications that they do not perceive them. This will be shown in what follows.

1. "Uniformity of prices" may mean: stability of prices over a period of time, lack of change in successive moments (there being, however, at each moment one price in the market, that is, all buyers at that moment buying at the same price). This is the meaning with which the authors evidently start, for they say (p. 4): "Portland cement prices have a tendency toward uniformity and are subject to broad changes only at infrequent intervals." They then go on to explain why in their opinion this is so, cement being a standardized product sold on a competitive basis to buying specialists, having limited fluctuations in cost because the raw materials are directly owned by the producers, and several alleged causes (no one of which, however, should lead an economic student to expect that prices will, on this account, be uniform in this sense, i. e., be unusually free from fluctuations). In another connection (p. 49; see below, p. 654) the authors themselves draw the distinction between stability and another kind of uniformity.

2. "Uniformity of prices" may mean: identity of price to all buy-

<sup>2</sup>Since this was written the Federal Trade Commission has announced its decision in this case, ordering the respondent Corporation to "cease and desist" from the practices complained against. The Corporation has, without appeal, undertaken to comply with the order.

ers from any one mill at the same moment of time. The discussion proceeds hardly a page until, in quoting from observers (apparently witnesses for the manufacturers), the thought shifts to this meaning. All buyers are able to get the same price because their number is relatively small, they "are well informed as to market conditions and the changes therein, and are thus well able to protect themselves against any overcharges." This meaning appears to be conveyed also by the statement (p. 7): "The general sales policy of the manufacturers of Portland cement is to treat each and every customer alike, where such customers are of the same general group and are similarly situated—the price differing only as to the difference in freight rates." Interspersed are favorite popular phrases (pp. 5-7) about competition, service, cost, the law of supply and demand—when the observant reader discovers that the quotations now refer (p. 6) not to the conditions enabling different buyers to secure the same (the lowest) price from each mill, but to the conditions enabling each mill to discover by a process of subtraction of freight from delivered price, what its competitor's mill price is. The following statement is approvingly quoted (p. 6): "Knowing in that way what the competitor's mill price is, it is just as easy to know what his price for cement at another point will be by simply adding the freight charges to the mill price already determined." The authors later make the same assertion in their own words (p. 27): "As it is an easy matter to find out the mill price, merely subtracting the freight from the mill to the point of destination, one manufacturer can always find the mill price of his competitors."

Unfortunately for this view the expression "mill base price," as the cement manufacturers' brief repeatedly shows, is "not generally applicable," and in this industry "is self-contradictory"; in fact, "in normal times there is no such thing." Quite inconsequentially and trustingly the authors themselves elsewhere quote statements to this effect (p. 34): "We do not have a mill base price except as such price is determined by the cost of cement shipped from some other producing territory. At all of these plants we will find anywhere from five or six different mill nets to twenty-five or thirty different mill nets daily." The authors, when they have a different purpose, to prove the existence of competition, go to pains (especially pp. 32-38 and 49-53) to show that net realized prices at the mill under the practice prevailing vary from the minimum below which the mill chooses to retire from that sales territory (called by the authors "market") and "abandons the field to others," to a maximum of all the traffic will bear on sales in the neighborhood of the mill.

Meantime the unfortunate customer, whom the authors started to comfort, is completely forgotten. The argument, to be sure, has

served to give the impression that the buyers find it "just as easy" as the manufacturers to know the uniform mill base price of each mill, and knowing it, to protect themselves against overcharges from the mill "by simply adding the freight charges to the mill price already determined." If the uniform mill price, however, is non-existent, how is the customer, any more than the manufacturer, to determine it? But worse still, the authors are careful not to hint at a fact (or have innocently overlooked it) shown in the record of the case: the customers have not had any occasion, nor been conceded the right, to add or subtract freight rates. Even if they could discover the illusory mill base price they would not be permitted to buy at this price at the mill. If they were conceded this right, it would break down the manufacturers' whole system of discriminatory delivered prices.

The calculation of delivered prices, is, as the authors elsewhere explain (p. 23), most generously attended to by the manufacturers, and they "assume the inconvenience and difficulty of furnishing prices including delivery," "not that it gives them any advantage." The authors thus innocently adopt and approve a view that has been propagated by other industries as well as this one to the deception of the public, that basing-point delivered prices are merely mill base prices plus the freight; that the difference between ordinary mill base prices and the delivered prices here in question is merely a little matter of simple bookkeeping and not a fundamental difference in plan, in amounts paid by various customers, and in amounts realized by the sellers from different sales at the same time. If the authors understood the real situation, they surely would not have tried to mislead their readers on this essential point. That they apparently did not understand it, was disastrous to their work as experts in this field.

3. "Uniformity of prices" may mean, in the third place: local delivered uniformity by the different mills; likeness of prices quoted and charged by the various manufacturers to every buyer at each locality. This is the uniformity that is on trial; and observe how greatly it differs from the other kind, just considered. Mill price uniformity insures every buyer that he will be given the lowest price at the mill that is given to any other buyer from that mill; that is, the lowest price charged at a certain time by a seller becomes the price that the seller charges generally to his customers at that time. Local delivered uniformity involves necessarily the negation of mill price uniformity under any schedule of freight rates other than a letter postage stamp system, and may do so even there.

This third kind of uniformity, which is the real criminal at the bar, is introduced to the reader unexpectedly after a brief homily on



the immorality, in merchandizing, "of asking a different price from each customer, in other words, attempting to secure the highest price" (p. 7). Then the authors point to their clients as models: "Small businesses perhaps can still thrive and use such methods in a single community, but a Portland cement company covers a much larger area and is to be compared with a large department store, where all goods are tagged and each customer is charged the same price." Will the reader pause here to scrutinize the analogy suggested? What is meant by "covers a much larger area?" Does it mean that a cement mill is a larger building, covers more ground than does a small store building? That is clearly not pertinent to the issue. Does it mean that the cement business handles a wider variety of goods than a small merchant's store? On the contrary, the cement industry is most exceptional among businesses large or small in having but one thing to sell, a product remarkably standardized in quality. Does the comparison imply that both cement mill and large department store sell to customers distributed over a wide territory? The phrase "such methods in a single community" suggest this; but a department store business is peculiarly local, a most unfitting example of a business with a wide sales territory. All that is left, therefore, is the thought that the cement business is comparable to a department store in that "each customer is charged the same price" at the store and at the mill respectively. But the next sentence begins with the qualifying phrase, "in any event." This shows a budding doubt in the authors' thought that the manufacturer does sell at a "tagged" price at the mill, and, after a reassertion of the proposition as to the same price to all customers, the thought illogically is shifted near the end of the sentence to something quite different. Observe this process: "In any event, the manufacturer must assure each and every one of his customers the same price consideration, or they will transfer their accounts to those who will assure them equality of price with their local competitors." What does it mean that geographically scattered individual buyers, forbidden to buy at a uniform mill base price, get "equality of price with their local competitors"? This is merely uniformity of delivered prices, the same price charged by all manufacturers to any buyer at that locality, and this, as we have seen above, necessarily involves inequality, lack of uniformity, of prices to each manufacturer's own customers. It is as if each department store simply matched delivered prices with each suburban and country store, or met in each suburb each competitor's price according to some basing-point plan, while refusing to allow purchasers to come to the store and buy at a tagged price. The third meaning of uniformity is, in the conclusion, substituted for the second meaning;

what the cement makers actually do is confused with what they ought to do (ought, according to the authors' own previous argument).

The analysis of all the arguments of this type that are presented in this little book would fill another book much larger. In the attempt to justify local delivered prices uniformly quoted by all manufacturers and yielding non-uniform mill nets, very little reference is made to economic authority and little use made of the fruits of economic study. The exceptions are numerous vague phrases and assertions concerning competition, demand and supply, laws of prices, price fundamentals, etc., and then a paragraph one page in length (p. 48) headed "Testimony of Economists." This unique appeal to economic theory deserves special examination. It occurs in a chapter entitled "uniformity of prices" in which, though uniformity is contrasted with stability (especially p. 49), it is incidentally given various other meanings. In the main, however, it is unmistakable that uniformity of local delivered prices is the problem presented. Bearing this in mind, let us examine the paragraph, the opening statements of which are as follows: "That uniformity of prices is a quality indicating competition rather than combination is a view generally accepted by economic writers who in their discussion of the price question usually take the view that the more closely the state of perfect competition is approached, the more uniform becomes the price of any given commodity at any given time. This view is taken by practically every writer on the subject, the general thought being that variations [meaning differences?] of price are suppressed or smoothed out by competition, sellers finding it impossible to maintain their market against those who undercut them, since otherwise they would lose business." Then are adduced four quotations from Seligman, Mill, Hadley, and Jevons, respectively, as proof of this statement, and the paragraph is concluded with the assurance that "many other citations to the like effect could be furnished but would serve no purpose other than to illustrate the general statement which is hardly more than obvious or axiomatic. . . . In fact, taking the assumptions of the economists as given, this position is not open to dispute" (pp. 48-49).

It is true that a volume of citations "to the like effect" could be gleaned from the works of notable economists, but that effect is not to vindicate as truly competitive the kind of uniformity that is here defended. The authors have fallaciously shifted from the third to the second kind of uniformity and back again in the course of their argument. What are "the assumptions of the economists as given" in the quotations? Quite different from the conditions in this case. They relate not at all to delivered prices, but to the single prevailing price at the point of sale where the various buyers and sellers come together to trade. The assumptions of the economists in the well-

known demonstration that there can be but one price at a given moment in a truly competitive market include the presence in a market of a number of traders acting independently on each side (buyers' and sellers') on the principle of indifference, sellers not asking different prices of buyers according to the home addresses of the latter; and completion of the trade and title to the property passing at the place of the sale. This formula of price with full two-sided competition dates from the time when it was generally valid to assume that several mills, shops, or merchants were actually present at one place (and but one place at a time) which was the market place. Free competition meant that each of these sellers treated all customers alike as to price at the place where the sale occurred, at the shop or the mill. If the customer wished to use the goods elsewhere he had to transport them or pay the freight himself. Where there was but one producer at a locality, all competent economists such as those quoted, would recognize it as a case of local monopoly, a case where demand and supply are not fully operative. There would then be, within certain limits, only one-sided competition, that among buyers only, which might result either in a uniform monopoly price or in a discriminatory monopoly price, but in neither case would exemplify the typical competitive market price. Here and there along the boundaries of the tributary sales territory, there may be competition as to price with another similarly situated local monopoly; but this is merely cut-price discrimination, leaving the great bulk of sales within the protected territory of each local monopoly to be made at higher discriminatory prices, distinctly non-competitive, what the traffic will bear.

The economists quoted, living or dead, would all alike be scandalized to see their words regarding typical markets distorted into a justification of the ingenious system of delivered basing-point prices. By this system a market as they understood it is made impossible, and a uniform market price as they understood it, is nullified.

A completer critique would require the analysis of the inaccurate concepts of markets, market areas, discrimination, competition, demand and supply, and a number of other fundamental economic terms occurring in this book. If economic experts are to do ever so little to help clarify the muddy waters of practice and discussion in business circles, and to aid legislation and judicial decisions with respect to industrial prices under modern conditions, they can do this only by greater exactness of definition and clearer analysis of the fundamentals. It is a hopeful sign that the need of utilizing economic training in these ways is being recognized. It is hopeful also that business men are recognizing the need of economic advice in adjusting their practices to the demands of legislation

and the courts. There doubtless could and will be found some way that is more nearly ideal to accomplish these ends than that of the employment of economic experts by the several private industries that may at any moment be the subject of criticism. But meantime we can hardly blame the manufacturers, in such a case as this, for seeking professional economic advice. They hope and expect, doubtless, that the experts' opinion will be favorable to their interests. But they unqualifiedly give to the experts "freedom of action in the results to be arrived at"; and there is nothing to suggest that in this case this promise has not been kept with perfect faith. There are evident dangers, to be sure, in such a situation, human nature being as it is. The investigation can with great difficulty be kept from becoming somewhat *ex parte*. Daily association with those who see the subject only from one angle, and that the angle of their own advantage, puts to the acid test the scientific and judicial spirit of any investigator. It is to be hoped that we shall never have to reckon in economics with the pecuniary bias that has made expert testimony at times a scandal in other fields. Economists entering upon the hazards of such private employment must accept the full responsibility for their methods and results. Their academic colleagues have a special civic duty and a special professional concern to scrutinize closely the methods, spirit, and results of work undertaken in this way and published by university teachers. But no personal animus enters, or should enter, into such a review as this. However adverse the judgment, it is given impersonally.

Economists can make no contribution of real value to the difficult and as yet unsolved social problem of corporate control, if their angle of approach to the subject is not different from that familiar to business, the legal profession, and the courts. Their results, also, must stand the test of theoretical analysis by their professional colleagues and of consistency with the facts of the case. The work under review is lacking in a distinctively economic spirit and point of view and, we submit to the readers' judgment, presents fallacious conclusions. Under a veneer of loose economic phraseology and a camouflage of graphic diagrams of prices relating almost entirely to products other than cement, and having little if any pertinence to the central theoretical question, the views of the cement manufacturers and of their lawyers as set forth in the brief of the case, are faithfully reiterated by the authors. The net result is to certify, under the hand of two academic economists, that the cement industry has been following a price policy one hundred per cent perfect in its implicit economic principles. The cement manufacturers, conforming to changing conditions and customs more or less fashioned by themselves through various artificial arrangements, guided by self-interest, have

been led "as by an invisible hand" throughout the years to a price policy and practice which, in the eyes of these experts, is economically perfect and to which they can suggest not the slightest amendment and improvement. The cement manufacturers must modestly blush on learning what excellent theoretical economists they are, and must feel all the satisfaction of the bourgeois gentil homme when he discovered that, quite unconsciously, he had been talking prose all his life.

This sort of flattery may be what the manufacturers want to hear, but in any case it can not satisfy the scientifically minded economists or, in the long run, the public or the courts. The fundamental issues in this case are in varying degrees found in numerous other industries. The economic fallacies and practices not only condoned but idealized in the book before us, are at the root of much of the monopoly and discrimination that honeycombs industrial prices today. The right understanding of the economic principles involved and their embodiment in business practice are needed to create conditions favorable alike to honest business enterprise and to the welfare of the whole people.

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## FAIR VALUE FOR EFFECTIVE RATE CONTROL: REPLY TO JUDGE RANSOM

Judge William L. Ransom's comments on my survey in the June REVIEW on "Recent Decisions by the Supreme Court of the United States on Valuation and Rate Making" call for a reply.<sup>1</sup>

My article was strictly limited to the expressed title, except that in the conclusion it urged legislative action to cut through the muddle of existing regulation. It considered only decisions of the final court of the land and did not deal with other tribunals. It tried to set forth fairly what had been decided on litigated issues, but did venture to guess that within particular limits the legislatures are free to establish effective policies for regulation and urged them to do so. It was finally concerned with the question whether the legislatures could establish actual investment as the basis of return without conflict with the Supreme Court decisions, and concluded that with reasonable limitations that standard can be adopted.

The decisions were analyzed under five headings: (1) Federal income taxes; (2) Excess earnings in prior years; (3) Prior losses and deficiencies in return; (4) Depreciation; (5) Original versus reproduction cost. Only under the first title did Judge Ransom deny directly the correctness of the conclusion stated in the article.<sup>2</sup> Other-

<sup>1</sup>Unfortunately Judge Ransom's article was more or less permeated with personalities, which, of course, I shall pass by except for this short note. Just one thing as to myself: From my many appearances as expert witness before commissions and courts, Judge Ransom saw fit to cite the only case when data prepared under my supervision were not accepted in evidence. (P. S. C. N. Y., rates charged by N. Y. & Queens Gas Co., case No. 49a.) But the issue was not my personal qualification or experience, as Judge Ransom would imply, but the relevancy and materiality of special data pertaining to the fair return to which the company claimed to be entitled.

Judge Ransom, moreover, reprimands economists in general for essaying into the field of legal decisions on economic subjects; then as a lawyer he discusses value and economic policies. I believe that an economist is entitled to speak on legal decisions relating to economics, and by the same token, Judge Ransom, as a lawyer, may speak on economic policies. Lawyers, economists and engineers who are sincerely concerned with the difficult problems of regulation should join efforts and without professional prejudices contribute to the general understanding necessary for sensible and orderly progress.

<sup>2</sup>Judge Ransom refers to *Con. Gas. Co. v. Newton* 258 U. S., 165, as if it were proof that the Supreme Court "unanimously ruled" for the inclusion of income taxes in operating expenses. There is not one single word in that decision relating to the subject.

As to the "economic absurdity" of treating the exemption of dividends from federal income tax as additional income, he will have to charge it to the Supreme Court which said:

"But the fact that it is the federal corporate income tax for which deduction is made, must be taken into consideration in determining what rate of return shall be deemed fair. For under §216 the stockholder does not include in the income on which the normal federal tax is payable dividends received from the corporation.



wise, he avoided the Supreme Court and passed to lower federal courts, state courts and commissions, and interposed various general arguments and observations. Consequently in fairness to the issues, I must discuss what is fundamentally desirable and just on the grounds of public policy, apart from the strict limits of Supreme Court decisions.

### *Present Indefinite Methods and Confusion*

Personally, through long contact with regulation, I have come to the conclusion that our efforts at regulation have become largely futile because of undefined policies and indefinite methods. We have tended away from regulation to litigation.

For nearly twenty-five years we have struggled with regulation and have not yet succeeded in placing it upon defined rights and exact facts. Consequently, we have not been able to raise rates when an increase is reasonably required, nor reduce them when the facts justify a reduction. Commissions have gone over the same subject-matter again and again, have accumulated mountains of testimony and opinions, but have never decided anything definitely and are now as hopeless as ever before the huge task of regulating the various utilities with the complicated intercorporate relationships and greatly varying and shifting conditions.

Besides relatively minor difficulties, the chief obstacle to effective regulation is the lack of a definite and exact rate base on which the return to the company or the investors is computed. Since the time of *Smyth v. Ames*, in 1898, we have proceeded on the vague basis that a company is entitled to a "fair return on the fair value" of its property, and that in determining the fair value, consideration should be given to the "original cost of construction, the amount expended in per-  
This tax exemption is, therefore, in effect, part of the return on the investment." (*Galveston Elec. v. Galveston*, 258 U. S., 388, 399.)

And, again:

"It must be borne in mind, as pointed out in *Galveston Electric Co. v. Galveston*, supra, that, since dividends from the corporation are not included in the income on which the normal federal tax is payable by stockholders, the tax exemption is, in effect, an additional return on the investment." (*Georgia Ry. v. R. R. Coms.* 262 U. S. 625, 633.)

These two decisions, the only two before the Supreme Court in which this problem appeared, would therefore seem to justify my conclusion in the Review that, whatever the Court's view may be with respect to the mere mechanics of including federal income taxes in operating expenses, "the position seems clear, however, that the taxes should not be shifted to the consumers, but left as a burden upon the owners of the securities." Unfortunately, however, an inadvertent "not" slipped into the sentence preceding the one quoted and obscured the meaning: "The idea (of the court) apparently is that they (federal income taxes) should *not* be included in the direct operating costs, but considered as part of the total return allowed." The context was plain and showed that the "not" was a typographical error.

manent improvements, the amount and market value of its bonds and stock, the present as compared with the original cost of construction," and such other elements as may be pertinent.

The commissions have been trying all these years to base rates upon this indeterminate formula. They have not attempted and have not felt authorized to lay down exact rules by which the amount of fair value may be fixed and maintained. They have found the problem particularly difficult since the great shift in prices during and after the war. When prompt rate adjustments were necessary, they have struggled hopelessly with a cumbersome and inadequate rate-making machinery.

#### *Need of a Fixed and Unvarying Rate Base*

So long as we continue the attempt at regulation on a shifting, undefined and indeterminable basis, we shall continue our struggle with futility and practically defeat the purpose of regulation. The only way by which effective regulation can be established for the future is by exactly defining, fixing and maintaining the rights of the investors and the obligations of the consumers; establishing exact quantities and keeping them under accounting control. We must make an appraisal of the existing properties and in each case, once for all, fix the amount upon which a return must be allowed through rates charged to consumers. These amounts should then be entered in the accounts of the companies and remain fixed and unvarying for the future, under subsequent accounting control. They should be systematically maintained through charges to operating expenses, including full depreciation provisions, not subject to increase or decrease on account of changing prices or other shifting conditions of operation. They would be increased only by actual additional investment required for the public service. The additions would be undisputed amounts shown by new securities issued under commission control; these would be entered in the accounts as exact sums added to the previous investment or rate base, and again systematically maintained through charges to operating expenses.

According to this proposal the rights of the investors would be definitely fixed and effectively maintained, first, by a valuation of existing properties and, second, by adding thereto actual additional investments in the future. All these amounts would appear as definite sums in the accounts and the commission in any case would be able to determine instantly the adequacy of the return, whether rates should be increased or decreased. But the first and great problem is to cut through the confusion of present rights and claims, and to establish once for all in each case an exact sum for the existing properties on which a return must be paid in the future.

My entire discussion of valuation of existing properties is based upon this particular view of fixing a definite and unvarying sum as a basis of future return so as to make rate regulation practically an automatic process. With this objective clearly in mind, we must first make a permanent appraisal of existing properties, and in approaching this task, we have the single question of what is fair both to the investors and the public under confessedly muddled circumstances. My belief is that above everything else certainty should be established and that a settlement must be reached on the disputed, contradictory and confusing claims.

But, further, I believe that the proposed course first requires legislative action. The legislatures should lay down an exact policy of regulation and prescribe the basis of valuation to be employed. I believe that the Supreme Court decisions do not prevent such basic policies and rules fixed by the legislature, provided that the results are not obviously confiscatory and arbitrary in individual cases. The problem of valuation for effective rate making is finally a legislative one. The courts can and will interfere only when legislative action produces confiscation.

Bearing on this point are Judge Ransom's concluding remarks where he explains what he deems my basic misconception, but where he really supports my argument that legislative action is needed to free regulation from the deadlock of cross purposes:

I would like to indicate what seems to me the basic fault of Dr. Bauer's analysis of the decisions on valuation questions. He fails to recognize that the nation's great court is engaged in the determination whether the guarantees of due process and just compensation have been violated by the acts of state regulatory authorities, and that the court is not engaged in establishing a code of valuation or empirical system of economic theory. The court decides such controversies as come before it and does so in the light of the federal Constitution.

As a matter of fact, I long ago grasped this view of the court's function. It is in recognition of the court's limitation, that I have repeatedly urged legislative action to set up definite policies and methods of rate regulation; that we cannot depend upon the judiciary to resolve the confusion. I fully believe, and Judge Ransom should agree, that if by legislative action an exact basis of valuation is established which meets reasonably the baffling situation, the Supreme Court will not interfere with the policy as such, provided that in individual cases the results are not confiscatory. The basic failure of regulation is not due primarily to the vague pronouncements of the court on valuation following *Smyth v. Ames*, as many writers seek to show. While I believe that the Supreme Court should fix more definitely its measure of ultimate confiscation, I have long maintained

that for a systematic policy we must look to the legislative branch of the government.

### *Net Investment as a Fair Basis of Valuation*

What, then, is a fair basis of valuation for existing properties in the face of the confused conditions? The answer cannot be based upon an absolute economic, financial or legal demonstration. It should, in general, rest upon a reasonable consideration of all the circumstances and public purposes, but it must be definite. To a large extent it is a matter of point of view, but it should represent desirable public policy and public rights as well as proper consideration for private interests. This view, I believe, is justly carried out if the valuations are based upon the actual or estimated net investment in the properties now used for the public service. Such net investment would consist, in any case, of the original installation cost of the properties in service less the amount of depreciation applicable to past use of the various amounts. This should be the starting point; but on account of the great shift in price level and the decrease in the purchasing power of money, I believe that an adjustment would properly be made in the stockholders' share in the investment, but not in the bondholders'. The result in any case should then be taken on the books of the company and permanently maintained and added to only with actual additional investment; all subject to exact accounting control.

### *Disagreement with Judge Ransom*

My fundamental disagreement with Judge Ransom is probably over the underlying proposal of establishing an unvarying rate base. While he doubtless would agree with my criticism of present undefined policies and methods, he would hardly join me in recommending the proposed provisions for eliminating uncertainty and confusion and establishing effective regulation. He did not directly express disagreement with this course; he avoided reference to it, although my entire discussion of Supreme Court decisions was manifestly directed to the desirability of establishing definite policies and methods of rate control. If he does not agree with the proposal of substituting facts for assertions in the future he tacitly places himself in favor of continuing the present conditions of deadlock and perpetuating existing cross-purposes and litigation.

But if Judge Ransom should agree with me in the desirability of clearing up the existing chaos and creating an exact basis of rate regulation, he would apparently disagree with the proposed method of valuing the existing properties. Where I would start with net

investment as represented by the original installation cost less depreciation, he would adopt present reproduction cost without any deduction for depreciation, whatever the remaining useful life of the constituent units. The question is, which is the more reasonable approach, having in mind both public and private rights, especially if, as I suggest, an adjustment is made in the stockholders' investment for present higher prices?

Also, as to future additions, there is doubt whether Judge Ransom would agree that they should be limited in the rate base to the actual investment under commission control. For the sake of consistency, he would probably argue throughout that at all times the reproduction cost should be the basis of return. If this is his view, then he would prevent a definite maintenance of the future rate base, would require repeated valuations, would raise each time conflict between public and private interests and would perpetuate litigation. But, assuming that he favors effective regulation, he must agree that additions to property hereafter should be added to the rate base at actual investment, subject to accounting control: otherwise, we continue permanently the dispute over "fair value." The quarrel over methods of valuation is therefore limited to the existing properties, so that whatever compromises and adjustments are made, the decision stands once for all, and the amounts ascertained remain fixed for the future.

Now, from this clearly defined standpoint, let us consider the reasonableness of my proposed basis of net investment in present properties as shown by installation cost less depreciation with adjustment to present price level for stockholders' investment, compared with Judge Ransom's idea of full reproduction cost without any deduction for depreciation.

#### *Cost Elements and Not "Value"*

At this point we must digress briefly to state that in his comments Judge Ransom drew the issue that while I was discussing *costs*, the quantum to be established is *present value*. He asks why I discuss "Original Cost vs. Reproduction Cost"; that "there is no conflict between the two; they are merely two different things." These, he says, are not "present value," which is the thing protected by the Constitution of the United States, but which is "bound to conform closely to the present cost to build such a utility property as is being valued." He does not otherwise define "present value" and really supports reproduction cost as the proper basis of valuation, instead of my proposal of original cost.

I submit that there is neither economic nor legal force in an abstraction of *present value* for rate-making purposes except as it is

expressed in terms of "costs." In rate regulation we cannot deal with the ordinary conception of value as used generally in business or by economists. It is, of course, a commonplace that in ordinary usage the value of a property is dependent upon earning power, which in turn depends upon the rates charged for service; and thus for rate-making purposes would swing into a circle and get nowhere. We must have a definite physical basis of determining valuation for rate making, which must consist either of original cost of existing properties, or the reproduction cost, or some definite combination of physical cost elements, with or without deduction for depreciation. These are determinable categories and can be practically established without reference to rates. But fixing a value which is dependent upon fair rates and simultaneously measuring the fairness of the rates by the value, is obviously legal and economic legerdemain.

#### *Original vs. Reproduction Cost*

Let us return, therefore, to the basic consideration of original versus reproduction cost of the properties, postponing for the moment discussion of depreciation. The initial valuation of existing properties would be justly based in the first instance upon original cost, for several reasons. First, the amount in many cases would be exactly determined, not derived by means of more or less arbitrary guess work. In the second place it would provide a broad average cost, including properties installed both at low prices and at peak prices during and after the war. It represents the amount on which investors mostly expected a return. In the face of changing price levels, which probably will continue through the future as in the past, original cost would be particularly fair as a basis of permanent valuation compared with the much higher present reproduction cost. It could not be assailed during a later period of falling prices, while reproduction cost at present high prices would not withstand the public objection during a long period of declining prices. No public authority could then successfully defend against attack a rate base in which the present high prices are permanently capitalized.

We are dealing here with a broad question of justice, and in the final analysis Judge Ransom would probably defend reproduction cost on the ground of justice to compensate investors for the present higher prices or lower purchasing power of money. This sounds fair enough. But apart from the fact that we are striving to establish a fixed permanent rate base and must therefore avoid capitalizing permanently the present high price level, he overlooks the fact that the bulk of the actual investment in most cases has been made through the issue of bonds. But, as everyone knows, bondholders receive a definite rate of return upon the face amount of the bonds as determined at the



time of the issue. Consequently, whatever the change in price level, they are limited to that return. If, therefore, the entire actual investment in existing properties were adjusted to the present high prices, bondholders would not benefit thereby, while the stockholders besides adjustment on their own small investment would get the benefit of the addition to the much greater investment made by the bondholders. The latter in any event are bound to suffer the loss in purchasing power through rising prices after the bond issues, exactly as they gain through falling prices. It would be idle, therefore, to adjust their investment permanently to the present higher prices, and allot the increase to an altogether different class of security holders. The stockholders may equitably claim adjusted compensation on their own investment but not on the bondholders'.

#### *Adjustment for Stockholders' Investment*

In view of the great shift in prices and because of the undefined terms under which the stockholders contributed their capital to the public service, I believe that, for the purpose here stated, adjustment should fairly be made for the stockholders' investment. Perhaps the increase should not equal the full rise in price level since the time of the investment; for under the proposal the addition would be permanently included in the rate base even against future falling prices. Since present prices are higher than at any time during the past century, except during peak war and post-war periods, we might perhaps expect on the whole a period of falling prices, and thus may not be warranted in capitalizing entirely the present high prices permanently against the future, even as to stockholders' investment. Possibly a 50 per cent adjustment would be reasonable.

Whether full or partial adjustment be made for the stockholders' investment, the practical procedure in making the valuation of existing properties would be to appraise them first at original installation cost, including reasonable allowances for the various recognized and necessary overheads. Then there would be a deduction on account of the physical condition and other depreciation of the properties. The balance would represent the net investment. From this sum would be deducted the amount of bonds and other long-term obligations outstanding, and the balance would represent the stockholders' net investment. This would then be adjusted by increasing it in proportion as the price level today is higher than at the time the investment was made; or at a smaller ratio. The result would then be placed upon the books as a permanent figure on which the company is entitled to a return. There would be no further variation in spite of future rising or falling prices.

My entire approach to valuation is that of reasonableness—to

establish permanent certainty in fairness to both investors and the public. The suggested adjustment on the stockholders' investment rests entirely on its assumed justice. The stockholders did undertake risks in the business and did not subscribe to any definitely limited return similar to the bondholders. While they were always subject to a yield earned under reasonable rates, the restriction was never closely defined as here proposed and was hardly contemplated within the conception of great changes in price level. In the face of these conditions, fair treatment seems to call for adjustment in the stockholders' investment if we now propose to fix a definite and unvarying rate base for the future.

The suggested adjustment, however, would serve also to meet whatever special legal requirement there may be to give weight to the "reproduction cost" factor. The Supreme Court has squarely declared that "The refusal of the commission and of the lower court to hold that for rate-making purposes, the physical properties of a utility must be valued at the replacement cost less depreciation was clearly correct." And, as shown in my previous survey, the court would probably not invalidate given rates which furnished a 6 per cent or 7 per cent return on actual investment even if it failed to yield 4 per cent or 5 per cent on the reproduction cost. It seems to recognize a fair return on actual investment as the ultimate measure of confiscation. Nevertheless, the majority of the court seem to believe that in reason some substantial allowance should be made for the higher price level and in a closely contested case might actually require such provision. My suggestion, therefore, meets the natural feeling of justice that compensation should be made for higher prices, but places a definite and determinable limit to the adjustment. It meets in a practical way the reasonable element in the reproduction-cost theory, and would doubtless be approved by the court if properly presented in a given case. It would give us a just starting point for determining and maintaining an exact rate base for the future.

### *Reproduction Cost Not Workable*

Before leaving the primary basis of actual versus reproduction cost, I should like to emphasize once more that reproduction cost cannot possibly serve for systematic future regulation. As already stated, it would perpetuate the indefiniteness of present regulation, would require repeated valuations, at every future adjustment would involve new estimates, and would arouse new conflict. The rights of the investors would never be defined, and we would continue to have litigation instead of effective regulation. What is needed is an unvarying

<sup>2</sup>Georgia Ry. v. R. R. Comm., 262 U. S. 625.

rate base and not a shifting one; actual investment meets the practical requirements.

Another serious defect of reproduction cost as a future basis of regulation is that it would work only during periods of rising prices and not during falling prices. In the latter event it would result in undermining the financial stability of the companies. Investments made through bond issues at high levels would be gradually impaired; the companies would become less and less able to pay their interest obligations and only the strongest could withstand insolvency. If we should descend over a twenty-five year period to the 1898 price level the reproduction-cost basis would simply have to be abandoned. With most of the properties struggling to avoid receivership, actual investment would have to be recognized as the necessary rate base.

#### *Deduction for Depreciation*

Besides the basic question of actual cost versus reproduction cost, Judge Ransom objects also to the deduction for depreciation from the primary valuation. I submit that depreciation is simply a part of the accounting in determining the cost of service, providing for the transfer of capital charges to operating accounts. In the case of renewable plant and equipment, a capital charge is nothing but a deferred operating cost. Such a capital expenditure does not differ in character from an expenditure for coal and other materials. In any case the cost as incurred is chargeable to a property account, and is subsequently transferred according to use to the current cost of operation. As to coal, the transfer takes place during a comparatively short period of time, while with plant and equipment the cost transfer may require a number of years. The principle of cost accounting, however, as between capital and operating account is the same. The very transfer to operating account results in locking up in the business a corresponding amount of funds which otherwise would be shown as return, and thus maintains the original investment intact through the rates paid for service.

The net investment, therefore, at any time in a unit of plant or equipment, is its original cost less the amount that has been properly transferred to operating expenses on account of past use in service. This applies in the same way whether the depreciation represents so-called wear and tear, or obsolescence, inadequacy, or other causes of expiring life. The amount included in operating expenses for depreciation is credited to a reserve, to which is charged the original cost of any plant or equipment retired. As a result the original cost of all the properties shown in the property accounts, less the balance of the depreciation reserve, shows the net investment in the properties applicable to future operation. The balance of the depreciation

reserve represents the amount of such original cost that has been applicable and charged to past operation.

Where systematic cost accounting and sound financial policies have prevailed, the net investment is shown by the accounts, and is equal to the original cost of the properties, less the depreciation reserve. But most accounting records are badly confused so that neither the original cost nor the amount of past depreciation can be determined except by appraisal. Consequently the task of appraisal involves both estimates of original cost and of depreciation. The latter can be determined as readily as the first. In any event, the proposal is that definite amounts shall be determined once for all for future purposes of rate control.

The argument just made perhaps appears somewhat technical. The course, however, is not offered because of its mechanical nicety but because of its reasonableness. The full deduction for depreciation would place all the different properties on a fairly comparable basis. It takes into account not only neglected maintenance, which alone appears to be recognized by Judge Ransom, but also physical wear as well as decrease in future usefulness because of the change in demand and obsolescence of particular facilities. By the deduction, any given property would be placed on a parity with others and all would be presented according to the degree of remaining usefulness under present conditions and requirements.

For illustration, let us assume two power plants, each of 200,000 k.w. capacity. But while one contains generating units of 5,000 to 10,000 k.w.—units which represent a relatively large capital cost per k.w. and are operated also at a high expense per unit of output—the other plant contains modern equipment, of 30,000 to 60,000 k.w. capacity, at a lower unit cost of capital and with much greater efficiency of operation. But, otherwise, both are assumed to be in good operating condition.

Under Judge Ransom's proposal, depreciation would not be a factor in the valuation of either plant. No deduction would be made from the primary valuation so long as the generating units are in good operating condition, without regard to their relative degree of efficiency. We should then have the valuation of an antiquated plant exceed per k.w. capacity that of a modern plant. This proposition seems obviously unreasonable and cannot be defended on economic, legal or any other ground.

This is merely a striking illustration of conditions that pervade all classes of renewable public utility property. Electric equipment which ten or fifteen years ago was the most up-to-date is today antiquated and unsuited for present service; it is all but worthless for operating purposes, and no intelligent management would use it ex-

cept in rare contingencies. Likewise with most plant and equipment which has been in operation for a number of years, if the units are placed beside corresponding modern facilities just installed, the difference as to present suitability for service stands out clearly and to place them in the valuation equally at full cost (whether original or reproduction) appears palpably absurd. Anyone conversant with the facts knows that there is the greatest variation between properties as to deferred maintenance, physical wear, adequacy, obsolescence and other impairment of suitability for service.

All these differences, I submit, should be eliminated in the net valuation through the deduction for depreciation. The amount of the deduction should be fairly determined and should not be based on arbitrary rules which do not apply to a particular case. But the ultimate "fair value" is the part of the property cost that is properly assignable to future operation after the deduction of the amount which reasonably represents charges to past operation.

There is nothing confiscatory in this view. It merely accepts present facts and conditions—"present value," if you please—and represents them in terms of definite and maintained rights for the future. If the investment exists, it should be recognized, with fair treatment of the stockholders for the change in price level. If it does not exist, no arbitrary amounts should be argued into being and placed as a permanent burden against future consumers.

For the future, when the amount of present investment has once been fixed and placed upon the books, the rights of the investors and obligations of the consumers would not be further affected by the subsequent allowance for depreciation. If the charges are excessive, there will be an undue accumulation of reserve, but the investors will not get any benefit from the accumulation. Nor, the other way about, will the investors suffer from inadequate provisions. The public would be compelled to pay a definite return and the investors would not be concerned how specifically the renewal of the properties would be provided for. While I believe that a systematic depreciation policy should always be followed, the charges from year to year are adjustable and a moderate variation would not be an appreciable matter. The important point, however, is that the return to the investors would not be affected.

#### *Determination of Obsolescence*

As a practical matter, Mr. Ransom objects to the deduction for depreciation partly because of the difficulty of determining the obsolescence element. But engineers and experts acquainted with the properties can determine fairly accurately the degree of obsolescence as well as ordinary wear and tear or deferred maintenance. In the

power plants of our previous illustration, a competent engineer would know whether the equipment is modern or what degrees or stages of obsolescence it represents. No one could seriously claim that small units of 5,000 k. w. should not be subject to deduction for depreciation as compared with large modern units of 30,000 k. w. or 60,000 k. w., which are furnishing the bulk of the service. In the same way, in every class of property the degree of obsolescence or inadequacy can be fairly definitely established by competent experts who are instructed sincerely to make the determination.

There is also reference to the impossibility of predicting obsolescence. This difficulty too is exaggerated. As a matter of fact, in practically all cases obsolescence does not come overnight, but develops gradually, steadily and visibly over a period of years. Again let us consider electrical equipment: Improvements are steadily made and over a period of 15 to 20 years a full cycle is turned and a period of obsolescence is completed. Engineers are fully acquainted with this course and have no difficulty to provide for it if they are not diverted by the financial management interested in rate controversies.

Since my earlier review was prepared, a case involving a special feature of depreciation was decided by the Supreme Court on June 2, 1924 (*Pacific Gas and Electric Co. v. San Francisco*). This case involved an unusual feature of obsolescence. The company through a special invention developed by its own engineer made improvements in the manufacture of gas. The invention was developed during a short period of time and upon perfection a large part of the old equipment was scrapped and the existing stations were reëquipped with new and superior facilities. On the basis of direct cost, however, the original capital expenditure in the old equipment was substantially greater than the cost of the new facilities. By excluding, therefore, the old equipment from the inventory and substituting the new at its actual cost, the new valuation was less after the improvement than before. Consequently, although the service and the usefulness of the property had greatly improved, the basis of return to the company was diminished. Such a result the majority of the court refused to accept, concluding that there was error somewhere either in theory or application of principle.

In this case there was the unusual situation where obsolescence affecting a large proportion of the equipment did come about in a short time and was not foreseen. For the most part, however, obsolescence is gradual, steady, and visible and can be measured as time passes almost as definitely as physical wear and tear. In the particular case unquestionably there was the unreasonable result that because of the improvement a reduction in the rate base was made.

The case was further complicated by the fact that, as brought



out in the minority opinion by Mr. Justice Brandeis, an adequate depreciation reserve had been provided to take up the retirement of the old properties after the cost of the new had been charged to capital account. This illustrates glaringly the lack of definiteness and precision in our present methods of regulation. Although the company had accumulated reserves through operating expenses, it was not definitely required under existing methods to deduct the amount from the cost of the properties and in the rate proceeding apparently was compelled to deduct only the depreciation which could be computed at the time, regardless of the amount that had been previously reserved. Under these circumstances, of course, the retirement of property for which reserves had been collected did result in a reduced valuation compared with the rate base had the improvements not been made.

Under sound policy, with the rate base and all phases of operation under exact accounting control, a reserve accumulated out of previous earnings would automatically be deducted from the cost of the properties; the installation of any new units would be charged to the capital account, while the cost of facilities retired would be deducted from the depreciation reserve. Under such a procedure a company would not be injured by scrapping old and installing less costly but superior new equipment. Its net capital account would not be affected by the change. It would receive a return on the same amount, plus any additional investment that might be made through the improvements.

The confusion that the case illustrates can be remedied only by a thorough-going appraisal of existing properties and for the future keeping the rate base under accounting control. Thereafter any reserves accumulated for depreciation would be definitely maintained for that purpose and the company would not be benefited or injured by any changes in the properties.

#### *Is the Depreciation Policy Antiquated?*

Judge Ransom is emphatic in pronouncing the idea of depreciation itself as obsolete; that as a policy it has been retired by modern business management. I must challenge the correctness of both his view and his claim. It is true that among the public utilities, where the deduction for depreciation seriously affects the valuation for rate making and the return allowed, there has been during the past ten years a striking development of opposition to the entire depreciation idea. It is true also that this opposition has succeeded in getting a number of state commissions to change the accounting rules for public utilities so as to eliminate all references to depreciation. But for the most part depreciation, as an element, is recognized now by the commissions in rate making; even where the term has been erased from

the accounts, the commissions mostly still hold to the depreciation factor in rate making. There is, moreover, no indication that the Interstate Commerce Commission has departed from its earlier ideas of depreciation in the accounting systems, notwithstanding a great drive conducted by the interested companies.

Outside of the public utilities, however, there has been rapid advance in providing systematically for all forms of depreciation by financial managements. This has been true particularly among large industrial corporations such as the Standard Oil Companies and the United States Steel Corporation. In these concerns the controlling financial purpose is to write off the properties as rapidly as is consistent with the facts, so that whenever any improvement is available old properties can be ruthlessly discarded and new ones provided out of reserves. Moreover in all keen competitive business conducted on a large scale it is necessary as a matter of financial stability that no fixed charges incurred for property shall continue after the units have passed their economic usefulness. The rigorous requirement is to depreciate every facility during its reasonable lifetime to provide reserves accordingly, and be prepared to take advantage of every available improvement and progress in the arts. This is one of the chief methods by which modern business protects itself against direct and latent competition.

Apart from the progress of the depreciation idea in business, practically all outstanding engineers, accountants or economists not under the financial influence of the public utilities, subscribe to the depreciation policy.

In conclusion, it must be admitted that no positive basis of valuation can be established by mere technical argument. It is a matter of meeting in a reasonable and equitable way a thoroughly confused situation. We do need to establish a definite basis of rate making for the future, and I believe that for this purpose the principles suggested for the initial valuation are fair and reasonable both to the investors and the consumers.

JOHN BAUER.

## RELATION OF FARM LAND INCOME TO FARM LAND VALUE

The connecting link between rent and value is the rate of discount or capitalization. If it were known that farm land rents were to remain constant for an indefinite future period, this rate of discount would be the only relationship between rent and value with which we would need to concern ourselves. But farm land rents have not been constant, at least since 1900, in the principal agricultural regions of this country and are certainly not expected to be so in the future. Land rents as we know them are either rising or falling. Since 1920 they have declined, but from 1900 to 1920 they rose steadily. This is shown in Figure 1.

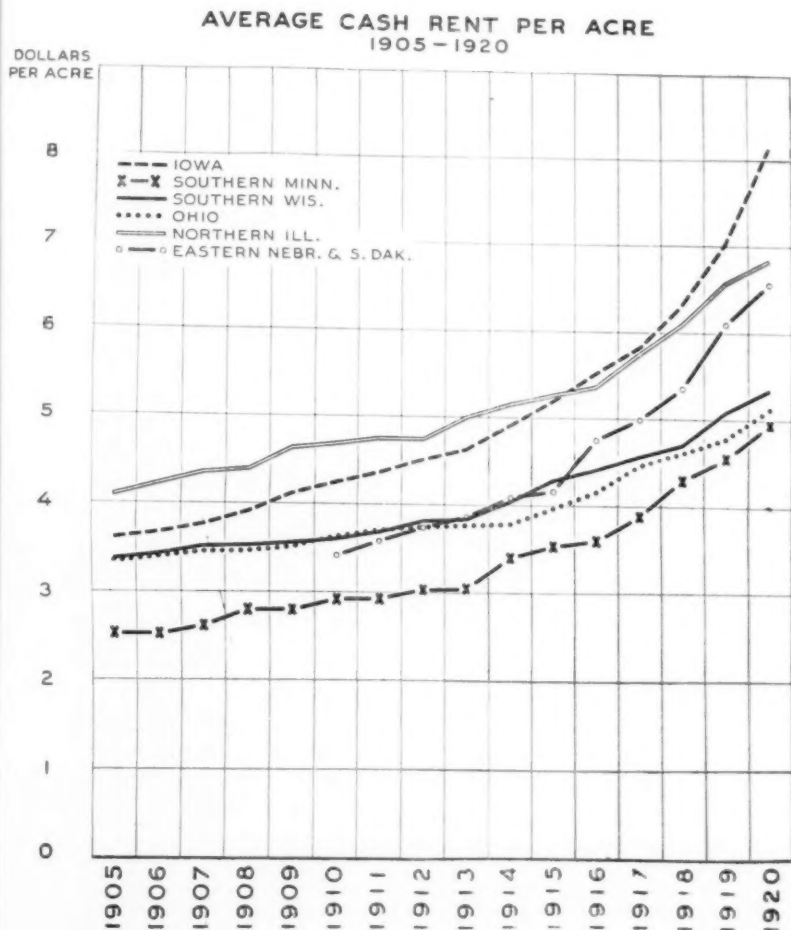


FIG. 1

Under such conditions of changing land rent there are at least four questions to answer instead of one. (1) What is the relationship between land rent and land value at a given time? (2) What is the long-time tendency in this relationship? In other words, if this relationship is expressed as the ratio of rent to value, what has been the long-time trend in these ratios of rent to current value? (3) What is the anticipated relationship between land value at a given period and the rents of later years? In other words, what are the rents of later years expected to be and what is the rate at which they are capitalized? (4) What is the actual relationship between value and the rents of later periods? This problem exists and is important because the expected future rents may not be realized. Where land rents are changing and where the direction and amount of the change is unknown, all these relationships have significance.

#### *Relation of Market Rents to Land Value*

Rent in economic theory is the net value product of land. But under actual market conditions something more than the earnings of bare land is bought and sold. The buyer pays for the land with all of its improvements and for the home and community advantages which the farm offers. The home and community advantages in the main will vary directly as the productivity of the land. Marked exceptions to this will be found where racial or religious groups who wish to maintain their unity are located. Since farm land<sup>1</sup> value is a capitalization of the earnings of land with its improvements together with the home and community advantages which are associated with it, data which reflect these incomes imputed to land by buyers and sellers must be used if the true relationship between land income and land value is to be measured. Such data I believe are the rents paid by cash tenants. Cash rents and land values on 154,653 farms in 567 counties leased on the cash basis in 1920 constitute the basis for the statistical relationships presented here. These data were obtained from the census of 1920.<sup>2</sup> Historical series on cash rents were also obtained from a questionnaire sent to cash renting landlords.

However, in using cash rents to measure the relation of land income to land value in general, the question at once arises: What is the relation of these market rents to the rents imputed to lands by buyers and sellers and to land values? The ratio of cash rent to land value,

<sup>1</sup>Land will be used briefly to mean land and improvements.

<sup>2</sup>The data on cash rents, and the values of the cash rented farms together with other related factors were tabulated by the Bureau of Agricultural Economics, Division of Land Economics. For a complete tabulation of these data, cf. C. R. Chambers, *Relation of Land Income to Land Value*, U. S. Department of Agriculture Bull. 1224.

for instance, will measure the rate of return on the current value for the owners who lease to cash tenants, but will it measure the rate of return on current value for all farm owners?

The relation of market rents to land values depends on the prevailing system of land tenure. Where the typical purchaser and owner of land does not intend to operate the land himself but expects to lease it to a tenant, then the relation between market rent and value is direct. That is, the value is based directly on a capitalization of the market rent. This is the situation in England and to a considerable extent in a large part of the cotton belt in the United States and probably in a few small areas outside the cotton belt. That is, the land is operated in the main by tenants and the value is based directly on a capitalization of these market rents.

In the greater part of the United States, farm land is operated by both owners and tenants. The landlord class is in the main made up of retired farmers who live in nearby towns. The market for land both for lease and for sale is largely confined to these classes. Here the typical purchaser of land is one who expects to operate it himself. He bases his price offer on what he himself can make the land earn and on its home advantages to him and not on what it would rent for if leased to a tenant. The purchasers come principally from the tenant class and to some extent from the owners who wish to expand their farm area. The sellers of land are owner-operators who sell to buy again, and retiring farmers and landlords. While the typical purchaser thinks in terms of what he can make a farm earn, the retiring farmers and landlords think in terms of what rents they can get for their farms when leased. Under such conditions land values are not based on market rents in the same direct and obvious way that they are when all land is typically operated under lease and the purchasers of land are simply buying the right to receive these market rents. But even so, average cash rents in this country measure the average land incomes on all lands regardless of the form of tenure under which these lands are operated. If the capitalized market rents including expected changes in these rents are less than the sale price of land, more tenants will prefer to continue leasing rather than to become owners. But more land owners who are leasing their farms will sell, so that equilibrium will be restored between capitalized market rents and sale prices. Since tenants can lease or buy and landlords can lease or sell, equilibrium must normally be maintained between capitalized market rents and sale prices, and, on the average, this will result in equality between the rents paid by tenants and the rents imputed to lands by buyers and sellers.

For various reasons, however, it is often held that market rents

bear little relation to the incomes imputed to other lands when they are bought and sold.

1. It is often argued that custom is a very important factor in determining market rent, whereas competition reigns supreme when lands are bought and sold. The force of custom in determining rents in Great Britain and other parts of Europe has often been pointed out, and it has been more or less assumed that it must be effective here also. But the tenure situation and therefore the nature of the relationship between rent and land value is different in the United States from that in Great Britain. If custom is effective in determining market rents in Great Britain, it will affect values to the same extent, for values are based directly on market rents regardless of the forces determining them. But in most areas of this country if custom tended to hold rents down when land values were rising, landlords would prefer to sell their farms rather than to continue leasing them. This alternative opportunity offered to the American landlord to sell to a farmer who bases his price offer on what he can make the land earn, and not on the amount it will rent for when leased, prevents custom from becoming an effective force in determining market rents. This conclusion is borne out by a glance at Figure 1. This chart shows that rents have risen steadily in all these areas since 1905. While these series show differences in the rate of increase from area to area due to forces operating locally, it would be found, if an index number of the prices of farm products were plotted on the same chart, that all these cash rent series moved in close uniformity with it. This upward movement in these series invalidates any theory of custom-determined rents for this country.

2. While a tenant pays for a place to live as well as for the use of a farm as a productive instrument, it is sometimes stated that an owner enjoys more of the home and community advantages attaching to a farm and that he will pay more for them than the tenant. But, if buyers are willing to do this and bid the price of land up until it is higher than the capitalized market rent, landlords will prefer to sell until the sale price and capitalized market rent are brought back into equilibrium.

Market rents may then be used to measure the relationship between land income and land value on all lands regardless of the form of tenure under which these lands are operated. Of the various forms of market rent, however, only cash rent can be used statistically as a measure of land income. Cash rent is a payment for the use of the farm and the home advantages connected with it, while share rent covers payments for capital and management contributed by the landlord, and risks borne by him.

Figure 2 shows the ratio of gross cash rent to land value for 537



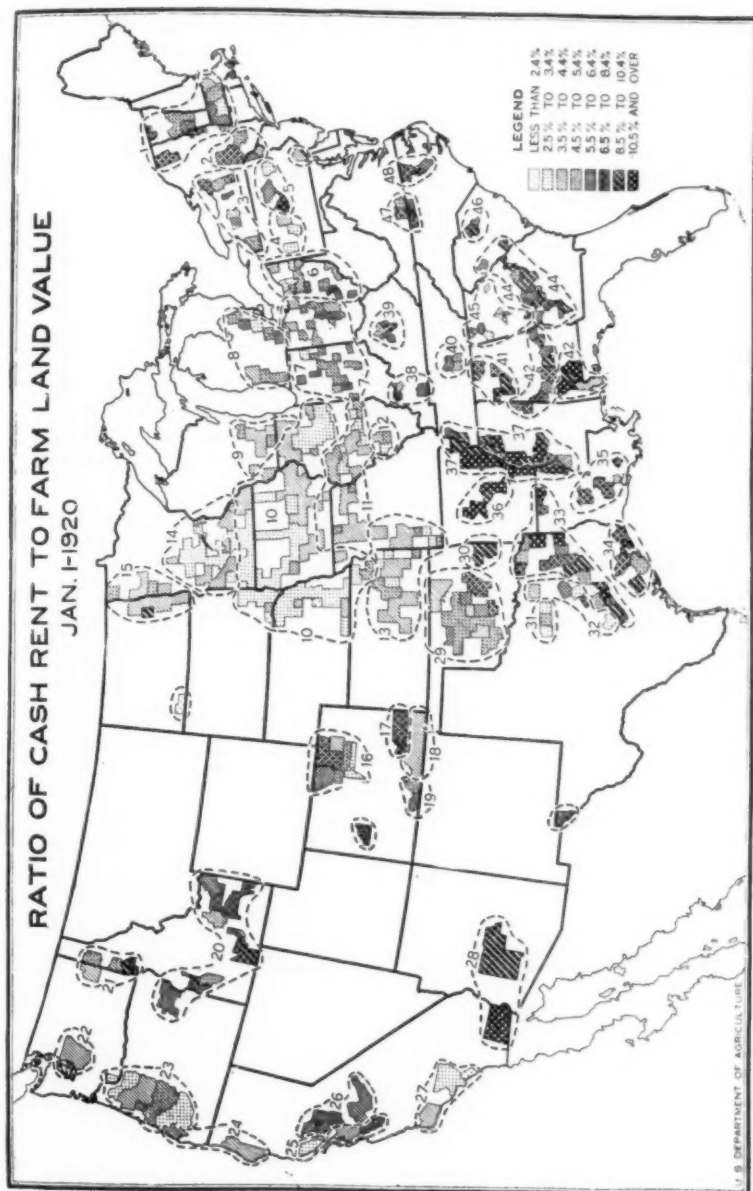


FIG. 2

counties in 1920.<sup>3</sup> The areas on this map enclosed in the dotted lines are groups of counties which are roughly homogeneous with respect to economic and physical conditions. They are numbered from right to left across the top of the map and from left to right across the bottom.

The most striking thing about this map is the great variability in these ratios. There are large variations among the county groups and smaller variations from county to county within each group. The number of cash rented farms per county on which these ratios are based is often very small, so that the county variations as a usual thing are not significant. The number of these farms is too small to give reliable averages. But for the county groups, which are fairly uniform in their economic and physical characteristics, the number of one-year cash tenants is large enough to give averages which are very reliable.<sup>4</sup> Considering the county groups, then, this map shows that the high ratio areas are in the cotton belt, the New England states and part of New York, and the irrigated regions of the West. The low ratio areas are in the corn belt and part of wheat belt. Table 1 shows these ratios of rent to value together with the average rent and average value by county groups.

From this table it will be seen that groups 10 and 11 have the lowest ratios and groups 28, 36 and 37 the highest. Not only is the variation between the southern groups and the northern groups very large but there is considerable difference among the groups within these two areas. Consider the eastern and western part of the corn belt. Group 7 has an average ratio of 4.7 per cent, while group 10 has an average ratio of only 3.3 per cent or a difference of 1.4 per cent. Group 11 has a ratio of 3.9 per cent or 0.6 per cent higher than group 10. In the cotton belt the variation in the group ratios is still greater. In group 32 the ratio is 3.9 per cent, in group 33 it is 6.2 per cent, 10.5 per cent in group 36, 10 per cent in group 37, 6.7 per cent in group 42, and 8.2 per cent in group 44. The far West has both high and low ratio areas. The high ratios are found for the most part in the irrigated regions.

Since these ratios are based upon gross rents, part of the variation

<sup>3</sup>The average cash rents, however, used in computing these ratios are not based on all the farms which were rented for cash in these counties. Only the rents paid by white tenant farmers who had occupied their farms one year or less at the time the census was taken and who were not relatives of the landlord were used in arriving at these average rents. This gives a series of rent data which are uninfluenced by racial factors, kinship ties and old contracts between landlord and tenant.

The reasons for selecting the rents paid by this group of tenants to the exclusion of all others has been discussed at length in U. S. Department of Agriculture Bull. 1224, pp. 53 to 64.

<sup>4</sup>For an analysis of the accuracy of these data, see *op. cit.*, pp. 10-26.

TABLE 1.—AVERAGE CASH RENT AND AVERAGE LAND VALUE PER ACRE ON THE ONE-YEAR TENANT FARMS AND THE RATIO OF RENT TO VALUE BY COUNTY GROUPS.

Group <sup>1</sup>	Number of counties	Number of 1-year tenant farms	Average rent per acre on 1-year tenant farms	Average value per acre on 1-year tenant farms	Ratio of rent to value
					Per cent
1.....	14	481	\$ 2.03	\$ 41	5.0
2.....	5	238	1.84	29	6.3
3.....	7	350	3.30	65	5.1
4.....	3	117	1.62	55	3.0
5.....	3	70	3.86	77	5.0
6.....	16	960	3.76	124	3.0
7.....	36	1,584	7.46	160	4.7
8.....	10	523	4.52	98	4.6
9.....	10	673	6.81	164	4.2
10.....	111	9,006	7.42	225	3.3
11.....	35	1,420	5.61	144	3.9
12.....	4	105	3.50	100	3.5
13.....	27	1,119	2.87	74	3.9
14.....	24	1,027	4.13	128	3.2
15.....	9	97	2.66	63	4.2
16.....	7	209	5.38	115	4.7
17.....	3	80	7.46	88	8.5
18.....	2	39	.80	22	3.6
19.....	2	31	4.30	79	5.5
20.....	14	344	12.05	162	7.4
21.....	5	237	3.60	72	5.0
22.....	3	260	7.18	168	4.3
23.....	10	785	3.03	84	3.6
24.....	2	224	6.11	142	4.3
25.....	4	188	5.12	143	3.6
26.....	6	276	8.78	150	5.9
27.....	3	278	6.31	209	3.0
28.....	2	496	22.68	201	11.3
29.....	23	2,328	2.30	44	5.3
30.....	2	133	3.52	37	9.4
31.....	3	115	2.61	79	3.3
32.....	5	48	4.65	120	3.9
33.....	22	377	3.09	50	6.2
34.....	6	162	3.61	46	7.8
35.....	6	119	5.82	87	6.7
36.....	6	462	5.90	56	10.5
37.....	31	1,811	9.79	98	10.0
38.....	4	70	5.80	93	6.3
39.....	8	158	10.76	186	5.8
40.....	4	211	4.07	80	5.1
41.....	6	349	3.20	36	9.0
42.....	10	490	2.00	30	6.7
43.....	5	353	3.04	31	9.7
44.....	24	672	3.59	44	8.2
45.....	10	243	4.59	119	3.9
46.....	2	50	5.65	66	8.5
47.....	5	34	2.79	40	6.9
48.....	4	79	6.35	73	8.7
Isolated counties:					
No. Dakota, Adams County	1	8	.53	25	2.1
Texas, El Paso County.....	1	28	7.46	116	6.4
Pennsylvania, Chester County.....	1	83	4.79	115	4.2
Colorado, Delta County....	1	60	5.73	76	7.5

<sup>1</sup>These group numbers refer to the areas numbered in Fig 1.

in them is to be accounted for by variation in the landlord's expenses, including taxes, depreciation and repair of improvements. This is shown in Table 2 for those areas where data on these expenses were available.

TABLE 2.—GROSS AND NET CASH RENTS AND THEIR RATIOS TO LAND VALUE.

Group	Average land value	Gross cash rent	Net cash rent	Ratio of gross cash rent to land value	Ratio of net cash rent to land value
				Per cent	Per cent
7	\$160	\$7.46	\$5.39	4.7	3.4
9	164	6.81	4.58	4.2	2.8
10	225	7.42	5.47	3.3	2.4
14	128	4.13	2.82	3.2	2.2
25	143	5.12	3.72	3.6	2.6
26	150	8.78	6.99	5.9	4.7
37	98	9.79	6.34	10.0	6.5
42	30	2.00	1.14	6.7	3.8
46	66	5.65	4.01	8.5	6.1

The net rents given in this table are approximately true net rents, except those in the three southern groups 37, 42 and 46. In all of these groups outside the South it is sufficient to deduct taxes, depreciation and repair of improvements to get net cash rents. In the South, however, the landlord has to carry the risk, in case of a partial or complete failure of the cotton crop, of getting only a part or none of the rent the tenant contracted to pay. The contract rents, therefore, are relatively high in this region to cover this element of risk. Landlords in all parts of the country carry some risks but they are not so high as those borne by the southern land owners.

Although the variations in the ratios of net rent to value are not so great as the variations in the ratios on the gross rent basis, they are still great enough to demand explanation. Furthermore, it must be explained why these ratios are what they are.

#### *Factors Determining Relation of Land Income to Current Value*

The ratio of rent to current value, or the percentage return on the valuation for any given year does not show the rate at which farm land incomes are capitalized when these incomes are not expected to remain constant. Up to 1920, land incomes had increased steadily in the principal agricultural regions for the previous twenty years. Under these conditions the rate of return on the value at a given time is determined by two factors: the rate of capitalization, and the percentage of the value based upon expected increases in land income. These two things explain the variations in the ratios of rent to value in 1920 and also why each ratio is what it is. But it is the purpose

here to get quantitative measures, if possible, of the component parts of land value in those areas where it was possible to determine net cash rents, and thus give a quantitative explanation of these ratios.

Where land incomes are changing, the value of land may be expressed as a function of three variables—the income which land earns at a given time, the expected future changes in that income, and the rate at which it is capitalized. For increasing income this may be put in the following formula:  $V = \frac{a}{r} + \frac{i}{r^2}$  where  $V$  = land value,  $a$  = land income,  $i$  = expected annual increase in income, and  $r$  = rate of capitalization. From a little study of the relationship between the terms of this equation it will be seen that the higher the rate of capitalization, the higher the ratio of rent to value; that the larger  $i$  is relative to  $a$ , the lower the ratio of rent to value; and that increases in  $a$  while  $i$  is constant bring about constantly increasing ratios of rent to value.

Assuming for the present that the mortgage rate of interest controls the rate of capitalization (an attempt to justify this assumption will presently be made) and that this formula roughly generalizes the valuations of the market, it is easy to calculate the annual increases in land income which the buyers and sellers of land projected into the future and capitalized into the values of 1920. When  $V$ ,  $a$  and  $r$  are given,  $i$  can be found by solving the land value formula for  $i$  ( $i = Vr^2 - ar$ ). Table 3 below shows what  $i$  is when calculated in this way for those groups where net cash rents were obtainable.

TABLE 3.—COMPONENT PARTS OF LAND VALUE AND THE RELATIONS BETWEEN THEM.

Group	V	a	i	r	$\frac{a}{v}$	$\frac{i}{r^2}$
				Per cent	Per cent	Per cent
7	\$160	\$5.39	\$0.23	5.8	3.4	42
9	164	4.58	.21	5.2	2.8	46
10	225	5.47	.38	5.5	2.4	56
14	128	2.82	.27	5.8	2.2	62
25	143	3.72	.32	6.2	2.6	58
26	150	6.99	.17	6.4	4.7	27
37	98	6.34	.03	6.9	6.5	6
42	30	1.14	.06	6.9	3.8	45
46	66	3.91	.07	7.3	5.9	19

These calculated  $i$ 's are the annual increases in land incomes which are necessary to justify the valuations of 1920 if the rate of capitalization is the mortgage rate of interest. If the rate of capitalization were higher or lower than the mortgage rate of interest these calculated  $i$ 's would be higher or lower; and if the rate of capitalization were measured by the ratio of rent to value the calculated  $i$ 's would

all be zero. That is, there would be no expectancy of increment capitalized in the 1920 valuations. But we know that buyers and sellers of farm land did expect land incomes to increase, and that they took into account these expected increments when they bought and sold land. Since there are good grounds for believing that the mortgage rate of interest controls the rate at which land incomes are discounted, these calculated  $i$ 's measure with a considerable degree of accuracy the increases in land incomes which are expected on the average.

Table 3 then gives us the data with which to explain the ratios of rent to value for the areas indicated in the table and the variations in these ratios. In the eastern part of the corn belt (group 7) the ratio of rent to value is 3.4 per cent, but in the western part of the corn belt (group 10) it is only 2.4 per cent. The lower ratio in group 10 is explained to a small extent by the lower interest rate prevailing there. But most of the difference in these ratios is accounted for by the fact that  $i$  is only \$0.23 in group 7, whereas it is \$0.38 in group 10. This means that in group 10 where the average value of land was \$225 per acre, \$126 or 56 per cent of the value was based upon expected increases in land income, but in group 7 where the average value was \$160 per acre, only \$67 or 42 per cent of the value was based upon anticipated increases in income. The ratios of rent to value in the other areas are to be interpreted in the same way.

Two areas having the same expected increase in land income and the same mortgage rate of interest will not necessarily have the same ratio of rent to value. Compare for instance groups 7 and 14. The mortgage rate of interest is the same in each area and  $i$  is about the same, yet the ratio of rent to value is 3.4 per cent in group 7 but only 2.2 per cent in group 14. The reason is that  $i$  is much larger relative to  $a$  in the latter area than in the former. In other words, the capitalized value of  $i$  constitutes about 62 per cent of the value of the land in group 14 but only 42 per cent in group 7.

Group 25 shows a much higher expected increase in land income than group 26, which lies next to it. This is explained by the fact that the counties in group 25 lie closely around San Francisco, so that a potential residential value is attached to the cash rented farms in them, which does not attach to the farms, in group 26, lying farther out.

The calculated  $i$ 's in the southern groups (37, 42 and 46) are too low because the rents here, as previously pointed out cover risks borne by the landlord.

Is there any basis in the experience of the buyers and sellers of land for these expected increases in income as shown by the calculated



$i$ 's? Or are these calculated  $i$ 's mere abstractions resulting from the assumption that there is a fairly definite rate of capitalization, and that that rate is controlled by the mortgage rate of interest?

In the main, judgments of the future are based upon past experience, and the more uniform the past experience, the more certainty is felt of forecasts of the future. Up to 1920 the present generation of farmers had, as a rule, experienced nothing but rising land incomes. This upward movement in land incomes as revealed by cash rents is shown in Figure 1. Although rents have increased in all of these areas, the chart shows that they have increased more rapidly in Iowa and eastern Nebraska and South Dakota than in the other regions. It is to be expected, then, that the anticipated increases in land income were relatively large in those areas where land incomes had been increasing most rapidly, and relatively small in the others; and, if the assumptions made hitherto are correct, we would expect to find some fairly definite relationship between  $i$  as calculated by the formula and the average increase in rents of the years preceding 1920. In order to test this the counties were regrouped to correspond to the areas represented in Figure 1. The average land values, average net rents, and average mortgage rates of interest were then determined for these areas and  $i$  calculated by the formula as before. Then the average increase in rents was calculated for the 5, 6, 7, 8, 9, and 10 years preceding 1920. The results are shown in Table 4.

TABLE 4. RELATIONSHIP BETWEEN  $i$  AS CALCULATED BY THE FORMULA AND THE AVERAGE INCREASE IN CASH RENTS OF THE PRECEDING YEARS.

	V	a	r per cent	i	Increase in "a" for preceding					
					5 years	6 years	7 years	8 years	9 years	10 years
Iowa	\$243	\$6.01	5.5	\$0.40	\$0.56	\$0.50	\$0.48	\$0.43	\$0.40 <sup>1</sup>	\$0.38
Ohio, southern half	154	4.75	5.9	.26	.31	.27 <sup>1</sup>	.23	.21	.19	.19
Southern Wisconsin	139	3.84	5.2	.18	.20	.19	.18 <sup>1</sup>	.17	.16	.15
Eastern Nebraska and South Dakota	203	4.54	5.8	.42	.48	.41 <sup>1</sup>	.39	.35	.33	.31
North central Illi- nois	211	5.60	5.5	.32	.34	.33 <sup>1</sup>	.29	.27	.25	.24
Southern Minnesota	164	3.49	5.8	.35	.29 <sup>1</sup>	.27	.25	.23	.21	.21

<sup>1</sup>Period showing an average increase in cash rents most closely approximating the  $i$  for the area.

From this table it is clear that the calculated  $i$ 's are not mere abstractions but correspond to the average increases in cash rents of the years preceding 1920. Where the calculated  $i$ 's are high the average increases in rents of the preceding years are high (Iowa and

eastern Nebraska and South Dakota), and where the calculated  $i$ 's are low the average increases in rents of the preceding years are low. In other words, the buyers and sellers of land project the past increases in rents into the future and discount them into a present value.

But how long a past period was influential in determining these forecasts of the future? Light is thrown on this by comparing the calculated  $i$ 's with average increases of different past periods. In the table the past period which shows an average increase in cash rents most closely approximating the calculated  $i$  for each area is noted. This shows that the calculated  $i$ 's correspond with the average increase in cash rents of the preceding 6 or 7 years in every area except Minnesota and Iowa.

In Iowa the calculated  $i$  corresponds with the average increase in rents of the 9 preceding years, whereas in Minnesota the calculated  $i$  agrees with the average increases in rent for a much shorter past period than in the other areas.

Can it be said from the evidence presented in this table that the increases of a certain definite past period are the basis for future forecasts of increases in land income? As a general proposition, such a conclusion cannot be drawn. There are too many other influences which may bring about expected increases in income. Such influences are: (1) prospective shifts in the type of farming from a less intensive to a more intensive type; (2) prospective improvements in transportation, such as public road improvement, or the construction of new or better railway facilities; (3) prospective improvement in the land itself through drainage or clearing.

Such improvements increase the earning power of land, and if foreseen would give the basis for an expected increase in land earning power and a higher present valuation. In areas where such improvements are anticipated there would not be so close a correspondence between the calculated  $i$ 's and the average increase in rents of the preceding years.

In the new agricultural regions, expected increases in income are in the main probably based on prospective improvements of the kind mentioned above. But in old agricultural areas which constitute the major farming regions of this country, the expected changes in land income are based in the main on average changes in the past.

The areas included in Table 4 are for the most part old farming areas, where no improvements of the type mentioned are expected for the areas as a whole. Small sections of these areas no doubt have their land values based upon such expected improvements, but not the areas as a whole, with the possible exception of the Minnesota area.

In the northern counties of the Minnesota area a relatively large part of the land is reported by the census as needing clearing, drainage,

or both. It is probable that the value is based upon the expected earning power when these improvements are made. This would account for the fact that the calculated  $i$  in this area corresponds to the average increase in rent of a much shorter preceding period than in the other areas. With the expected increase in income due to prospective improvements allowed for in this area, it seems probable that the calculated  $i$  would correspond to the average increases in rent of the preceding 6 or 7 years as in all the other areas except Iowa.

Can it be concluded, then, of old agricultural areas where important improvements are not expected, and whose type of farming is stable, that the average increase in land incomes of a fairly definite past period are the basis for future forecasts? While a period of 6 or 7 years is indicated in the table for the 1920 forecasts, there is a slight upward bias in the land values, and this bias is different from area to area.<sup>9</sup> In view of this, and of the fact that Iowa is not in line with the other areas, it seems safer to say that the future forecasts were based upon the average increases of the preceding 7 to 10 years. The average increases in rent in Iowa for the years preceding 1920 are all very high, due to the unusual increase from 1919 to 1920. The increase in this year was much greater for Iowa than for any other area. If it is left out in figuring the average increases, then the correspondence between the calculated  $i$  and the average increases in rent of the preceding years in Iowa is brought into line with the other areas.

The forecasts of the future, made by the buyers and sellers of land in 1920 were, then, based upon a relatively recent and definite past period which probably ranged from 7 to 10 years. This is borne out by evidence drawn from areas in which land income advanced very rapidly, as well as from areas where it increased more slowly. And it can be concluded that in old agricultural regions forecasts of the future will usually be based upon a projection of the increase in rents of a fairly definite past period.

Further evidence of the relation between the calculated  $i$ 's and increases in rents of the preceding years is given in Table 5.

Table 5 shows the relation in Iowa between the calculated  $i$ 's and the average increase in rents of the preceding years for each of the past 11 years, exclusive of 1911, for which no data were available on land values.

It will be noted that the anticipated increases in income as calculated by the formula gradually increased from 1910 to 1920, and a comparison of the calculated  $i$ 's with the average increases in rent of the preceding years explains why a constantly greater future increase was anticipated and capitalized into the value of each succeed-

<sup>9</sup>*Op. cit.*, pp. 11 and 12.

ing year. The calculated *i*'s and the average increases in rent of the preceding years move up together. The anticipated increase in income in each of these years was based upon the experience of the past; that is, these anticipated increases changed each year because

TABLE 5. RELATION BETWEEN COMPUTED *i*'S AND AVERAGE INCREASE IN CASH RENTS OF PRECEDING YEARS IN IOWA, 1910 TO 1920.

Year	V	a	r	i	Average increase in cash rents for preceding									
					6 years	7 years	8 years	9 years	10 years	11 years	12 years	13 years	14 years	15 years
1910	\$96.00	\$4.24	5.5	\$ 0.06	\$ 0.12	0.12	\$ 0.11	\$ 0.10	\$ 0.09					
1911		4.36	5.5											
1912	106.00	4.50	5.5	.07	.14	.13	.12	.12	.12	.12	\$ 0.11	\$ 0.10		
1913	118.00	4.63	5.5	.10	.14	.14	.13	.12	.12	.12	.11	\$0.10 <sup>1</sup>		
1914	125.00	4.91	5.5	.11	.18	.17	.16	.15	.14	.14	.14	.13	\$0.12	
1915	134.00	5.19	5.5	.12	.18	.18	.17	.17	.16	.15	.15	.14	.13	\$0.12 <sup>1</sup>
1916	153.00	5.52	5.5	.16	.21	.20	.19	.19	.18	.17	.16	.16 <sup>1</sup>	.16	.14
1917	156.00	5.83	5.5	.15	.24	.22	.21	.21	.20	.19	.18	.17	.17	.16 <sup>1</sup>
1918	174.00	6.32	5.5	.18	.32	.29	.27	.26	.25	.24	.23	.22	.21	.19 <sup>1</sup>
1919	192.00	7.02	5.5	.19	.43	.39	.36	.33	.31	.29	.28	.27	.26	.24 <sup>1</sup>
1920	255.00	8.14	5.5	.32	.55	.51	.47	.43	.40	.37	.36	.34	.32 <sup>1</sup>	.31

<sup>1</sup>Period for which there was the closest correspondence between *i* and the average increase in rent for preceding years.

of a changing past experience, just as the anticipated increases were found to be different from area to area because of varying past experiences in those areas with regard to increases in income. It will also be observed that the calculated *i*'s correspond to the average increases in rents of about the preceding 13 to 16 years. But these rents are gross rents, and the land values are based upon the estimates

of the correspondents of the Bureau of Crop and Livestock Estimates, which have an upward bias. If both the rents and values used here could be put on a comparable base with the census data used in Table 4, it seems likely that the calculated  $i$ 's for each of these 11 years would correspond to the average increases in rents of the preceding 7 to 10 years. This seems probable because the relationship between  $i$  and the average increases of preceding years for 1920 is in line with this relationship between  $i$  and increases of preceding years for all the other ten years preceding 1920.

Buyers and sellers of land have based the prices at which they were willing to buy or sell on past experience, but naively so. In 1920 they projected the average increase in income of the preceding 7 to 10 years into the future just as they had done in 1910, regardless of the fact that their 1920 forecasts were based upon the abnormal experience of the war period. The forecasts of this generation of buyers in all the years preceding 1920 had apparently been justified, for the buyers in any year had found that land incomes actually increased faster in the following years than had been anticipated at the time of their purchases, so that buyers in 1920, and in the other years immediately preceding it, were not led to question the normality of the conditions that produced the high incomes of these years or the relatively great increases of the preceding years. Therefore, in 1920 they did what they had always done, and made up their forecasts of the future on a past experience which was uncritically accepted as a safe guide.

It is often stated that the high land values of the war period were the result of speculation in land. If by speculation it is meant that the purchasers of land in these years bought with the idea of selling again at a higher price, it is only to a very limited extent that land values were forced upward because of it. This has been indicated by studies made at the time of the land boom.<sup>6</sup> These studies showed that a large percentage of purchasers bought without any thought of re-selling. Land values went up in these years in the main because land incomes went up, and because buyers of land did not discount the fact that these incomes were based upon abnormal conditions. Thus, in Iowa the greatest increase in land values was from 1919 to 1920, and this was also the period in which the increase in cash rent was greatest.

Again, when one speaks of speculative land values he may have in mind that part of the value which is based upon anticipated future

<sup>6</sup>See U. S. Department of Agriculture Bull. 874, *Farm Land Values in Iowa*, by L. C. Gray and O. G. Lloyd, and Bull. 240 of the Kentucky Agricultural Experiment Station on *Land Prices and Land Speculation in the Bluegrass Region of Kentucky*, by G. W. Forster.

increases in income. It is true that a larger percentage of the land values of 1920 was based upon such anticipated increases in income than in previous years, but to state that this was due to speculation helps in no way to understand why land values were what they were in 1920.

The land values of 1920 cannot be explained in terms of land speculation any more than the land values of any other period can. To understand land values, we must study them in relation to land income and the past changes in land income. Because these incomes were influenced by abnormal conditions in the 5 or 6 years preceding 1920, land values were less sound than in 1910, for instance, but to state that they were more largely the result of speculation in 1920 than in 1910 helps in no way to understand the values of 1920. The buyers and sellers of land in 1920 based their estimates of the worth of land on its earning power in 1920 and the average increases in this earning power in the years preceding 1920, in much the same way that buyers and sellers in 1910 had done. The land incomes on which these buyers and sellers based their estimates of value were less sound than those in 1910, in the sense that they were the result of war conditions which could not continue. Those who bought lands in these years apparently did not know this.

#### *Long-time Tendency in the Ratio of Land Income to Land Value*

The long-time trend in the ratio of land income to current value is shown in Figure 3. Figure 3 cannot be taken to show the true ratio of rent to value for any one of the 21 years. The number of farms on which the annual average rents are based is too small to be considered representative of all the land in Ohio. The rents paid on these farms, however, show the trend in rents for the state with a fair degree of accuracy. This series of rents may, therefore, be used to show the trend in the ratio of rent to value during this period. The downward trend is at once strikingly evident, and in the light of the preceding discussion the explanation is not far to seek. In the early part of this century the farmers, who are the principal buyers and sellers of land, had fresh in their memories the long depression of the nineties. Furthermore, land incomes up to this period had not increased very much or very rapidly. Hence, very little was anticipated in the way of future increase in land income and the ratio of rent to value was, therefore, relatively high. But in the years following 1900 the increase in land income was greater and greater, so that a constantly increasing percentage of the value was based upon anticipated increases in income, resulting in declining ratios of rent to value.



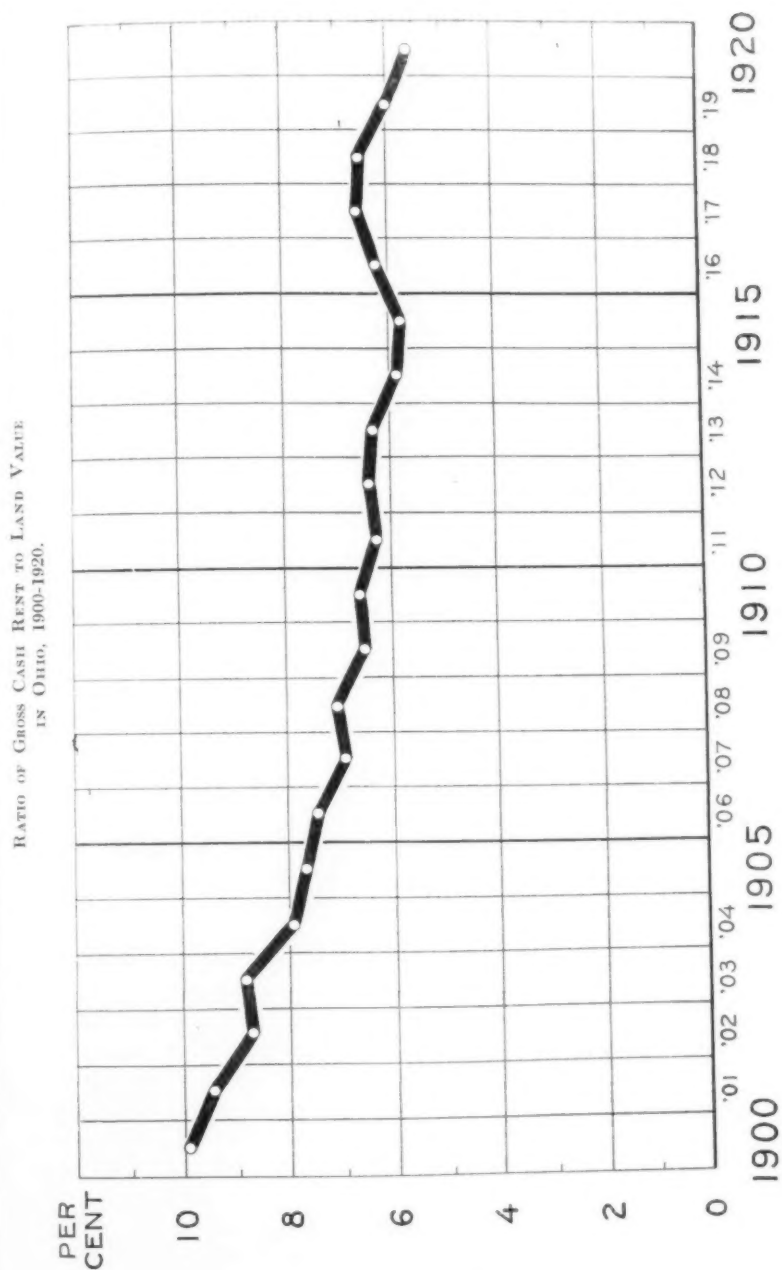


FIG. 3

This same downward tendency in the ratio of rent to value is also found in Iowa. This is demonstrated by Table 6, which shows the ratio of rent to value by decades.

TABLE 6.—RATIO OF GROSS CASH RENT TO LAND VALUE IN IOWA, BY DECADES.

Year	Per cent
1900.....	7.7
1910.....	4.3
1920.....	3.6

In both of these areas, however, the ratios declined more from 1900 to 1910 than from 1910 to 1920, but rents increased less in the former decade than in the latter. This is probably accounted for in part by a decline in mortgage interest rates in the former decade which did not take place in the latter. In fact, interest rates on mortgages increased during the war years. But it is also partly accounted for by a projection of increases in incomes that was not entirely based on past increases. Increasing land incomes do not always produce declining ratios of income to value. It depends on how the incomes are increasing. If they increase a constant amount each year for a considerable period then the trend in the ratio of rent to value during such a period will be upward, provided the mortgage rate of interest is about constant. This is brought out in Table 7.

TABLE 7.—TREND IN THE RATIO OF RENT TO VALUE WHEN RENTS INCREASE A CONSTANT AMOUNT EACH YEAR OVER A LONG PERIOD.

Year	a	r	i	V	$\frac{a}{v}$
		Per cent			Per cent
1	\$2.00	5	\$0.25	\$140	1.4
2	2.25	5	.25	145	1.6
3	2.50	5	.25	150	1.7
4	2.75	5	.25	155	1.8
5	3.00	5	.25	160	1.9
6	3.25	5	.25	165	2.0
20	7.00	5	.25	250	2.9

Under such conditions as are assumed in Table 7 the ratio of rent to value would become greater and greater year after year. The reason is obvious. The anticipated increases in income, being based on the average increases of the past, are constant throughout the period. Therefore, the percentage of the value in each year, which is based on this anticipated increase in income, declines throughout the period. The percentage of the value, however, which is based upon the rent in the given year is becoming greater and greater with each succeeding year, so that the ratio of rent to value must increase as time goes on. In other words, *a* increases relative to *i* when *i* is constant.

Figure 1 shows that up to 1913 or 1914 the annual increase in average rents was about constant for all the areas except Iowa. That is, straight lines would fit these series better than any type of curve. Nevertheless, the ratio of rent to value declined throughout the period 1900 to 1914, at least in Ohio and probably in the other areas also. This is probably accounted for, to some extent, by the decline in the interest rate on farm mortgages, particularly during the early part of this period. But for the most part, it is explained by the fact that the straight-line increase in rents which apparently prevailed in Ohio from 1900 to 1914 cannot be projected backward beyond 1900 more than 2 or 3 years at most. The buyers and sellers of land in 1900 were therefore not expecting this constant increase to prevail in the future, so that relatively small or no increases were projected into the future at this time. Furthermore, the buyers and sellers of land in 1900 still had vividly in their minds those years preceding 1896 when agricultural prices and land incomes were declining. They were, therefore, not so ready to project past increases in land incomes into the future as were the farmers in 1920. But the steadily rising prices in the years following 1900 and the general prosperous condition of the country led to an optimism that resulted in the projection of greater expected increases in land incomes than the average increases of the past would warrant.

### *The Rate of Capitalization*

It has been assumed so far that the rate of capitalization is governed by and tends to equal the mortgage rate of interest. This is closely in accord with the accepted theory as found in economic treatises and textbooks. It has often been argued, however, that the theoretical assumptions are not true, and that in actual fact land incomes are capitalized at rates which are materially below the interest rates on safe long-time investments.

Some of the arguments advanced in support of this are as follows: (1) the majority of American farmers do not view investment in farm lands as a commercial proposition; (2) the purchase of farm land is an unusually safe investment; (3) farmers have no alternative investments, hence always buy farm land, regardless of the rate of return it yields.

It is argued that purchasers of farm lands in the greater part of this country are not guided by pecuniary motives, for several reasons. (a) The farmer wishes to have a home of his own, hence is willing to pay considerably more for a farm than an absentee investor who is merely buying the right to receive a money income. The typical investor in farm land in this country expects to live on the farm he purchases, so that much of the income which he receives is in the form

of satisfactions which are not expressed or measured in dollars and cents. (b) The prestige of ownership is especially mentioned as one of the satisfactions which the owner of land enjoys. (c) It is also alleged that the buyer of land does not think in terms of return on invested capital, but in terms of securing a place where he can use his own labor free from interference and where his job is always secure.

For all these reasons it is held that the competition for land ownership is very keen, and that the buyers of land bid its price up so high that it yields a rate of return that is considerably below the rate of interest on other investments that are equally secure.

It is probably true that all of these considerations are important from the buyer's point of view. The buyers of land, however, make up only half of the market. The suppliers, or sellers, of land must be given equal consideration with the buyers, and it does not seem probable that the sellers of land are influenced by the same considerations that influence the buyers.

The sellers of land are made up in the main of two classes: (1) farmers who are not yet ready to retire, but who desire to acquire better farms, larger farms, or to move to a different locality; (2) retiring farmers and existing landlords who have the option of continuing to lease their lands or to sell them. The sellers in the first class are farmers and expect to continue so. Their net influence on the price of land will be about zero since they sell to buy again. But with the other class the case is different.

Both retiring farmers and existing landlords have the alternatives of selling or leasing their farms. As a large percentage of landlords are retired farmers, they are not likely to sell for the purpose of buying again, and the same is true with the group of farmers who retire each year, but who have not yet become landlords. If these two groups decide to sell, it will increase the total supply of farms for sale relative to the demand for farms for purchase, and will hold down the price of land. But, if these retiring farmers and landlords are actuated by nonpecuniary motives similar to those which influence buyers, they will hold their farms with the same tenacity with which buyers seek to acquire ownership. Their influence will then be added to that of the buyers in keeping the price of land high relative to its earning power; that is, in keeping the rate of return on the investment low.

To what extent do such nonpecuniary motives influence these two classes? Some prestige may be attached to ownership in the farm community; that is, the farm operator who owns his farm may receive more social recognition, may have more community influence, than the tenant. But when a farmer retires and moves to town, he

certainly enjoys no more prestige from owning a farm than from owning government bonds, bank stock, or farm mortgages. The other satisfactions which attach to ownership are likewise enjoyed by the buyer who expects to operate his farm and not by the potential seller who is retiring from the farm.

It appears, then, that this group of potential sellers will sell when it is to their pecuniary advantage to sell and lease when it is to their advantage to lease. Whether or not these retired farmers will decide to sell or lease depends upon the alternative investments which are open to them, and the safety of these investments relative to investments in farm lands. If these potential sellers have alternative investments which are about equally secure as investments in farm land and with which they are familiar, they will sell their farms and invest in these securities whenever there is any tendency for farm lands to yield a lower rate of return on the investment, taking account of the anticipated increases in income as part of the return, than is yielded by these securities. This action on the part of retiring farmers and existing landlords will increase the supply of farms for sale and thus hold down their price, so that the rate of return on farm lands is held in equilibrium with the return on these securities which are offered as alternative investments. While buyers, then, in the main may not think in terms of alternative investments, this class of sellers does, and it is their action which keeps the rate of return on farm lands in equilibrium with the return on other investments.

It is often stated that investment in farm lands offers greater security than most other lines of investment. While it is true that farm lands cannot run away, their values can and do. The truth of this should be impressed upon every one by what happened to land values in the war period and what has happened since. Investment in farm land almost always involves some risk, and this risk is usually greater than that involved in the purchase of farm mortgages, or municipal and railway bonds, or any other investment equally good. The buyer of a farm has no definite promise as to what return he will receive on his investment. It is an uncertain return depending upon the future prices for his products, and his future costs. He is not buying the right to receive a definite return, nor is the principal always secure. Many of those who bought land in 1918, 1919, and 1920 cannot now sell out and obtain the principal of their original investment, and probably cannot do so for a number of years to come.

Furthermore, it must be remembered that a large percentage of the value of farm land during the 15 or 20 years preceding 1920 was based upon expected increases in land income which might or might not have been realized for all that the buyers of land during the period knew. The same is true today after four years of falling land

incomes and falling land values. Recent studies indicate that a large part of the value is still based upon expected increases in land income which will not be realized until the prices of agricultural products start upward again and maintain a strong upward course.

Do farmers have alternative investments? It is often stated that in effect they do not, and that even if they did they would not consider them. When it is stated that farmers do not consider alternative investments, the prospective buyer of land is usually in mind. The farmer who is not ready to retire would rather own and operate his own farm than be a tenant, even though he could invest his capital in other securities and get a higher rate of return than he could by buying farm land. But this is not the case with the retiring farmer or landlord. To these classes a farm is an investment to be compared with other investments which may or may not yield a larger return in the long run. The only question here is, do such investments practically exist for this class of potential sellers of land? It is said that these classes do not know of other investments, or that such investments are not made readily available for them as they are for the city investor, or that they are afraid to invest in bonds which they do not understand. On the other hand, it is argued that they do know farm lands and that they will keep their capital invested in them even though better investment opportunities exist elsewhere. In other words, that there may be better investment opportunities, but practically they do not exist for this class of retired farmers.

This argument overlooks the fact that these retired farmers do know farm mortgages just as well as they know farm lands. In almost all agricultural communities there is a large demand for mortgage loans. The retired farmer is in a better position than anyone else to know the value of farms offered as security for such mortgage loans. Consequently, he can make a loan at less risk and expense than any bank or insurance company, hence can afford to make loans at lower rates of interest than such institutions can offer. The competition of insurance companies or federal farm loan banks cannot, therefore, close this line of investment to him. Since these institutions do place a large volume of loans in all the major agricultural regions of the country, it would seem that the demand for such loans is considerably greater than can be supplied by farmers who have funds to invest. This one line of investment alone, therefore, is large enough to make it unnecessary for the retired farmer to keep his capital tied up in farm land if there seems to be a greater advantage in selling his farm than in continuing to lease it.

The retired farmer who thinks that land is yielding a return that is too low, taking account of anticipated increases in income, in terms of what he could get by investing in farm mortgages, will sell his farm



and invest in these mortgages. In many cases, in fact, the sale of the farm will carry with it the opportunity to take a mortgage on the place. A large number of purchasers cannot pay for a farm outright. They must obtain credit from some source, and the seller of the farm has the opportunity to furnish this credit. With these considerations in mind, it is difficult to see how the rate of capitalization can get very far away from the mortgage rate of interest when farm mortgages are readily available to a large class of potential sellers of land.

It may be true that some of these retired farmers will not respond in this way to changes in the rate of return on farm land. Some of them, for instance, may be holding their farms for a son or son-in-law, hence will not consider selling their farms. It is not necessary that all of them should. A few additional farms offered for sale in any given year will be sufficient to hold down the price. At any given time, in other words, there is a considerable degree of inelasticity in the demand for farms. The number of persons seeking to buy land in any community at any given time is limited. Furthermore, not all of these buyers have such low individual rates of capitalization; not all of them wish to acquire land ownership regardless of the rate of return. The number of buyers, therefore, who are willing to bid up the price of land so that it no longer yields a normal rate of return is still further limited. A small increase in the number of farms offered for sale, then, will materially affect the price, so that it is necessary for only a small proportion of the retired farmers to offer their farms for sale in order to maintain equilibrium between the mortgage rate of interest and the rate of capitalization.

The mortgage rate of interest is the rate of capitalization in the sense that it is the rate that controls most effectively the price that is paid for farm land. When it is stated, however, that the mortgage rate of interest governs the rate of capitalization, average conditions are referred to. Individual buyers reach decisions on what they can afford to pay for land in different ways. One buyer, for instance, may be willing to pay a high price for land because he is willing to accept a low rate of return on his investment. He may not be able to make a farm earn as much as other prospective buyers, but will pay as much as they because of his willingness to accept a low rate of return on his investment. Another buyer, on the other hand, may be able to make a farm earn a rent that is considerably above the average, but because he demands a high rate of return on his investment before he will buy, he will not pay any more for land than other farmers who cannot make land earn so much but who are willing to invest at lower rates of return. Thus each individual arrives at the price he is willing to pay for a farm on the basis of an

individual rate of capitalization, an individual estimate as to what rent he can make the land earn and its home value to him.<sup>7</sup>

On the supply side the situation is simpler. Potential sellers compare the relative returns to be obtained from selling and investing in mortgages with those to be obtained by holding their land and leasing it, and their actions are effective in fixing the price of land at that level where it will yield a rate of return on the average equal to the mortgage rate of interest. Those farmers who are less efficient and who have bought because of their low individual rates of capitalization will not get the average rate of return, that is, a long-run rate of return equivalent to the mortgage rate of interest. On the other hand, those farmers who are more efficient but who have higher individual rates of capitalization will receive a long-run return above the average on their investments.

This analysis applies to all areas where there is a fairly active land market, except the South. Where such a market does not prevail the influence of the mortgage rate of interest on the rate of capitalization of farm lands will be slow and uncertain. In the major agricultural regions of this country, however, such an active market prevails.

This analysis does not apply to the cotton belt, where a different tenure situation prevails. There the landlord is a farm operator and he does not retire in the same sense that the northern farmer does.

#### *Actual Rate of Return on Investments in Farm Lands*

What the actual rate of return on the investments made in farm lands in 1920 will be cannot be determined, but it is possible to show what the trend in the rate of return on investments made in years previous to 1920 has been. Table 8 shows the ratio of cash rent, for each year from 1900 to 1920, to the average value of Iowa land in 1900.

TABLE 8.—RATIO OF ANNUAL AVERAGE GROSS CASH RENT FROM 1900 TO 1920 TO THE AVERAGE VALUE OF LAND IN IOWA IN 1900.  
(Average value of Iowa land in 1900=\$43 per acre)

Year	Average cash rent	Ratio of rent to 1900 value	Year	Average cash rent	Ratio of rent to 1900 value	Year	Average cash rent	Ratio of rent to 1900 value
		per cent			per cent			per cent
1900	\$3.29	7.7	1907	\$3.75	8.7	1914	\$4.95	11.5
1901	3.30	7.7	1908	3.88	9.0	1915	5.14	12.0
1902	3.31	7.7	1909	4.07	9.5	1916	5.47	12.7
1903	3.39	7.9	1910	4.22	9.8	1917	5.73	13.3
1904	3.52	8.2	1911	4.30	10.0	1918	6.38	14.8
1905	3.57	8.3	1912	4.47	10.4	1919	7.17	16.7
1906	3.65	8.5	1913	4.60	10.7	1920	8.19	19.0

<sup>7</sup>See H. J. Davenport, *Economics of Enterprise*, ch. 15.

This table may be interpreted as showing the trend from 1900 to 1920 in the gross rate of return received by the average investor in Iowa farm lands in 1900. But it shows only the trend, for the farms on which the average cash rents are based may not be typical of all the farms in the state. Furthermore, these rents are gross rents. Whether or not the rate of return figured on a net-rent basis would have shown as great an increase during this 20-year period depends upon the increase in real estate taxes during this period. It seems probable that they increased slightly in proportion to the rents and that the net rate of return did not increase as much as the gross rate. But even on the net-rent basis, buyers of land in 1900 have enjoyed excellent returns on their investments. This has been largely due to the fact that in 1900 a very small increase in incomes was anticipated, so the values at that time were relatively low. A great increase, however, actually took place, which gave these buyers a large and unexpected return.

At later dates, after land incomes had been increasing for several years, a greater increase in land income was anticipated and capitalized into the values so that investors in these years did not receive as large returns on investments made between 1900 and 1920 as those who bought land in 1900. However, they did get larger returns, up to 1920, than they expected. This applies to average investments made in farm land in any year between 1900 and 1920. The difference between expected and actual returns from 1910 to 1920 on investments made in 1910 is shown in Table 9.

TABLE 9.—EXPECTED AND ACTUAL RETURNS FROM 1910 TO 1920 ON INVESTMENTS MADE IN IOWA IN 1910.  
(Based on gross cash rents.)

(Average value of Iowa land in 1910=\$96 per acre.)

Year	Cash rent from 1910 to 1920 as anticipated in 1910 (anticipated increase of 7 cents a year)	Actual cash rent from 1910-20	Anticipated rate of return	Actual rate of return
			Per cent	Per cent
1910	\$4.28	\$4.28	4.5	4.5
1911	4.35	4.40	4.5	4.6
1912	4.42	4.59	4.6	4.8
1913	4.49	4.65	4.7	4.8
1914	4.56	5.03	4.7	5.2
1915	4.63	5.34	4.8	5.6
1916	4.70	5.66	4.9	5.9
1917	4.77	5.95	5.0	6.2
1918	4.84	6.45	5.0	6.7
1919	4.91	7.12	5.1	7.4
1920	4.98	8.13	5.2	8.5

In 1910 incomes on Iowa land were expected to increase 7 cents a year. As a matter of fact from 1910 to 1920 they increased by amounts much greater than this, so that the trend in the actual rate of return on 1910 investments increased much more rapidly than expected, and the investors in this year enjoyed unlooked-for gains during this 10-year period. Whether these 1910 investors will receive as great returns as they expected over a 40 or 50-year period is another question and one which cannot be answered definitely at this time. But it seems probable that the 1910 investors will not get a lower rate of return over this longer period than they were expected to get in 1910, when the investments were made. It is interesting to note in this connection that average Iowa rents are probably higher in 1924 than they were expected to be in 1910. Projecting the annual increase in rents of 7 cents a year which buyers and sellers in 1910 anticipated, to 1924, gives an anticipated average rent for this year of \$5.24 per acre. The average rent as reported for 1924 by the Crop Reporting Board of the Bureau of Agricultural Economics was \$7.25 per acre, and this is the fourth year of declining rents. There is probably an upward bias in this estimate. This is indicated by the fact that the 1921 estimate was higher than the actual average rents reported by the census in 1920. Even allowing for this, it seems that investors in farm lands in 1910 were conservative enough to be safe. But the same cannot be said of investors in 1917, 1918, 1919, and 1920.

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## NEW MEASURES IN THE EQUATION OF EXCHANGE

New measurements in the volume of trade, the rate of turnover of bank deposits and of the general price level or average of all kinds of payments seem to shed new light on our familiar problems of the relation of money and prices. With the reservation that the results are still in some degree tentative, the indications from them are:

1. That in the "velocity" or rate of turnover of the circulating media there is no discoverable secular trend or change.

2. That the short-time or "cyclical" variations in this velocity or turnover are directly related to, and coincide closely, alike in time and in percentages, with these short-period changes in the volume of trade.

3. Therefore, that such changes in the volume of trade, or "business activity," and in velocity of circulation, being usually synchronous and mutually compensatory, are not, normally, factors of influence on the general price level.

4. Therefore that, if the equation of exchange holds, the general price level must be related directly to the quantity of circulating media; i. e., that with due allowance for the normal secular growth of trade, effectively  $M = P$ .

5. That, in times of wide fluctuations, our familiar indexes of commodity prices at wholesale are not a reliable measure of the general price level, or average of all kinds of payments; and that a far more inclusive index is required.

6. That bank clearings, or, as we now say, bank debits, corrected by such an index of the general price level, are an accurate measure of the changes in trade, and what, following Mitchell, we have come to call the "business cycle."

7. Therefore that, experimentally,  $MV$  is found equal to  $PT$ .

8. That such familiar indexes of trade as pig iron production, car-loadings and, in general, production in basic commodities, cannot be taken as reliable measures of trade as a whole, or of its cyclical changes.

Since this work has now proceeded some way, I wish here to report the progress made.

The idea that the relation of money and prices can be expressed as a ratio of four definite and concrete factors, capable of measurement, is a concept relatively new in economics. It is, indeed, fully implied in the writings of Ricardo, the founder of present-day monetary theory, and still more of John Stuart Mill, his ablest expositor. But the idea of index numbers which could measure these relations, or even an index number of prices, was strange to that day and rejected even by so acute a mind as Ricardo's.

The theory, or equation, appears to have been first explicitly stated in algebraic form by Simon Newcomb, in his *Principles of Political Economy*, in 1885. Mathematician and astronomer, and possibly because of that, his work was largely ignored by other economists of his generation. In Newcomb's expression, the volume of monetary circulation was represented by  $V$ , and the rapidity of this circulation by  $R$ ; the total of "industrial circulation," or volume of goods exchanged, by  $K$ , and the average of prices by  $P$ ; and therefore on the Ricardo-Mill theory,

$VR$  must equal  $KP$ .

In our present-day notation, taking  $M$  for Money and  $T$  for Trade,  $MV$  equals  $PT$ .

The earliest endeavor towards statistical proof of this equation appears to have been that made by Professor E. W. Kemmerer, in the preparation of a doctorate thesis published in 1906. A much more elaborate series of estimations was made by Professor Irving Fisher in his *Purchasing Power of Money*, 1911, and the public mind familiarized with both the equation and the theory in several subsequent works by him and others. This pioneer work of Kemmerer and Fisher represented the best statistical material then available, and further progress had to await the development of new data of business measurement.

Experimental proof of this concept of the relation of money and prices must rest upon independent and positive measures of the four factors involved, viz.:

- The volume of circulating media;
- Its velocity or rate of turnover;
- The volume of trade or total of all exchanges of goods and services;
- The general price level or average of all payments by checks or money.

The new measures of these factors may be considered in their most available order.

### 1. *The Volume of Trade*

In the *Journal of the American Statistical Association* for last December,<sup>1</sup> I gave an extended report of new measures of trade as reflected in a weighted index of practically all the available monthly data as to the changes in the volume of production, distribution and consumption since the close of the World War. The tremendous upheaval occasioned by the war and its aftermath brought an acute impetus to the collection of quantity data, such as had never before existed. This was practically forced by the extraordinary rise in

<sup>1</sup>"A New Index of the Volume of Trade" (1923), p. 949.



prices, largely obliterating all the familiar methods of business measurement upon which business men had been accustomed to rely.

We were able to collate, all told, some fifty-six different series, each independently calculated in percentages of its own normal rate of growth or computed trend of past years. Some thirty of these related to basic production, divided into two major series of consumers' and producers' goods; and twenty-six others gave a wide sampling of the various fields of wholesale and retail distribution, exports and imports, financial activity, and even such varied material as measures of new life insurance written, amusement receipts, and speculation in stocks, cotton and grains. The composition of this index, the weighting given to the various series, and the results thus attained, are duly set forth in this article, and to it the interested reader is referred. What reason have we for believing that the results so obtained give us an accurate and reliable measure of trade and exchanges? The evidence is both general and concrete.

We have, first of all, a certain presumption in the number and variety of the samplings now available. Practically all of the more important fields of business activity now afford quantitative material. We have monthly data as to production in some thirty or more important lines of industry; we have complete figures as to distribution by rail, in the number of cars loaded, divided as to different commodities and types, and even actual ton mileage. We have comparable figures as to wholesale and retail trade in the most important sections of the country, affording an insight into final distribution such as was never before possible; and, finally, we have a variety of measurements in a number of other important economic activities. Provided only that the weightings given to each of these measurements in the makeup of the composite index are a fair approximation, it may be said that even if we had what might be called complete or astronomical knowledge of the whole range of business and trade we should have only an extension, and perhaps not a large extension, of the material we now possess.

Again, if we could have a record of every payment in the exchange of goods and services, and there were no marked changes in the general level of prices, we should then have an accurate measure of the volume of trade in these data alone. At least 80 per cent and possibly much more of all these payments are by means of bank checks, so that in the reported bank clearings, or, as we now say, debits to individual accounts, we have the figures complete, as we have computed, to about 85 per cent of the total of these check payments; and the remaining 15 per cent would not greatly differ.

Since clearings in New York City, as the financial center of the country, are so largely taken up with financial and speculative pay-

ments, it has long been assumed that a more trustworthy general measure was afforded by clearings outside of New York City, though the meaning and comparability of these was all but lost in the price upheavals of the war. We have found, however, that it is possible to construct an index of the general price level, or average of all check payments, which yields the remarkable result that when outside clearings, or debits, are corrected for price changes by this index, both the annual rate of growth and the short-time, or cyclical variations and the index of the volume of trade, correspond very closely. For the five and a half years for which our composite volume of trade index is now available, the index thus derived from bank debits has rarely in any month varied from the former by more than 4 or 5 per cent; and has usually agreed within 2 or 3 per cent, and these divergences, in individual months are in part due to the endeavor to equalize the none too certain or regular seasonal changes. For the annual averages, the widest divergence was 1.3 per cent.

This correspondence has been so close, the correlation so high, that we have made this the basis for a fifty-years measure, from clearings, of the variation of trade by months, from 1875. The main evidence for its reasonableness depends, first of all, on the fact that in the last quarter of a century the rate of annual growth disclosed by this index (about  $3\frac{1}{2}$  per cent) agrees very closely with the measures of annual growth in production made independently by Day,<sup>2</sup> Stewart,<sup>3</sup> and Snyder,<sup>4</sup> in 1920. Prior to 1900 the rate of growth in the number of reporting clearing centers was so rapid as to produce a more rapid growth of clearings than of actual trade; further, it may be said that the rate of growth of the cities from which clearings reports alone are derived has been much greater than that of the country as a whole, and that while this does not affect the cyclical variations, it tends to produce from clearings a somewhat exaggerated estimate of increase in trade. Bearing these factors in mind, the correspondence in the rate of growth in general production and the volume of trade is very striking, especially in the last twenty years.

This correspondence continues without interruption straight through the war and since the war. Furthermore, the percentages of deviation from this line of normal growth or computed trend are of the same order in both the indexes of production and the index of trade thus derived though, as stated, they differ in their time relations. The war and its aftermath affected but little either the total of general

<sup>2</sup>E. E. Day, "An Index of the Physical Volume of Production," *Review of Economic Statistics*, J n., 1921, p. 19.

<sup>3</sup>W. W. Stewart, "An Index Number of Production," *AMERICAN ECONOMIC REVIEW*, March, 1921, p. 57.

<sup>4</sup>*AMERICAN ECONOMIC REVIEW*, March, 1921, p. 70.

production or the total trade of the country. It is improbable that two indexes thus independently calculated could yield such striking general results unless they registered an actual fact.<sup>5</sup>

## 2. Velocity of Deposit Turnover

From yet other new measures which we had undertaken we were able to obtain quite unexpected confirmation of these results. In the endeavor to obtain some index of the varying credit demands of business, we had undertaken, some years ago, a measure of the so-called velocity, or rate of turnover of bank deposits. It is familiar to every observant banker that in times of brisk trade the volume of checks drawn against his deposits tends to be notably larger than in times of slack trade; that is, that while his deposits grow somewhat faster in times of good trade, and especially in times of rising prices, the total of checks drawn against them increases still more. In other words, the rate of turnover goes up and goes down with the cyclical movements of trade. The weekly reports received by the federal reserve banks and published by the Federal Reserve Board, since the end of 1918, make it possible to obtain close measures of this rate of turnover, and these were taken, first, for eight selected cities stretching from coast to coast, and then for one hundred and forty-one cities scattered all over the country.

In the rates of turnover so obtained there was found to be in the five complete years no observable trend in the composite results, either for the eight cities or for the one hundred and forty-one cities, and the variations were therefore taken in percentages of the five-years average. It was then found that these two sets of percentages agreed very closely, and, what was still more interesting, likewise bore a remarkable resemblance to the variations in our composite index of the volume of trade. The range or amplitude of the variations agreed very closely indeed. There were some notable divergences in the time relations between velocity and the volume of trade, but in general the movements of the three sets of indexes were quite close.<sup>6</sup>

Impelled by these results we have endeavored to construct a second index of the variations of trade for the past fifty years, derived from the variations in the rate of deposit turnover. The methods of computation and the results obtained are given at length in the *Harvard Review of Economic Statistics* for October, 1924. The same general

<sup>5</sup>Details as to the mode of construction of this fifty-years index of clearings are given in the *Harvard Business Review* for October, 1924, together with the derived index numbers in terms of three-months moving averages; more briefly, in the *Journal of the American Statistical Association* for September, 1924.

<sup>6</sup>For a detailed description of the methods of calculation and the index numbers of this velocity, see the *Journal of the American Statistical Association*, March, 1924, p. 36.

likeness and the same type of aberrations that appeared in the five-year comparison between deposit turnover and the volume of trade are disclosed in the comparison of the fifty-years calculations of velocity with the clearings index of trade for fifty years. In general the correlation is high and the mean deviations of very nearly the same order.

We have then, to sum up, three distinct new measures of the variations of trade from 1919 to date, and current, and a continuation of two of these measures backward to 1875. The results from these two long-time measures conform in a general way, first, as to the annual growth of trade, and second as to the degree of variations from the normal trend, to the indexes of annual industrial or basic production obtained by three independent investigators. Comparison of these several indexes with pig iron production, railway traffic, and finally with the variation in the average prices of industrial shares on the New York Stock Exchange, yields interesting results, the most striking of which is that when the indexes of pig iron production and of industrial stock prices are reduced to amplitudes corresponding to, and damped down at the same rate as, that disclosed in the oscillations of the clearings index of trade, again a quite remarkable general likeness is shown, especially in the comparison with the stock market. Actually from the latter a very fair index of business may be obtained, not forecasting the trend, as has so long been imagined, but sometimes lagging, sometimes leading.

This, save for the reports of business failures, practically exhausts the available material which exists.

As the years go on the index of the volume of trade will be perfected; and if its results continue to confirm the general reliability of the indexes of trade derived from bank clearings and from the variations in deposit turnover, this will strengthen the probability that the long-time measures of trade for the half century are truly trustworthy. Otherwise, we shall have to wait for a number of years to continue the present undertaking sufficiently to establish alike the normal growth of trade and the range of its variations. It is the writer's belief that future knowledge will not sensibly change our present results.

### 3. *The Influence of Deposit Velocity*

In the foregoing I have set forth the facts which have led to the belief that the variation in the rate of turnover of bank deposits affords an excellent indication of business changes. The correspondence of an index of these variations with the index of the volume of trade, and likewise with bank clearings corrected for price changes, have been adduced in support of the belief that we may now measure closely

the variations of trade, alike as to time and as to percentages of change.

The bearing of this on our present problem is obvious. Scarcely anyone would question the fact that, with a given volume of goods and services to be exchanged, these exchanges, at a given level of prices, will require a corresponding rapidity of turnover or circulation of the money factor. But if it be found that, taken over a five or six-year period, the average rate of turnover appears not sensibly to change, i. e., that there is no observable trend or drift for the period, the problem becomes much more definite, especially if changes in the general level of prices within this period are wide.

It happens that, first of all, we have now definite measures for five or six years of this rate of velocity, with no trend disclosed, and precisely within this period the changes in price levels have been the widest and most rapid, in a word, the most violent, in the century or more for which we have a trustworthy record. This is assuredly a surprising result.

The measures of velocity are not merely barometric but, in the primary case of eight selected cities, are positive or "absolute" measures. The method by which these computations was made was worked out between Professor Irving Fisher, Professor E. W. Kemmerer, and Mr. J. H. Riddle, then with the Federal Reserve Bank of New York, and represented, therefore, expert judgment as to method, and, it may be added, as to the results obtained. The methods and the computations were fully described by Dr. W. R. Burgess' last year; and consisted in the direct comparison of the total amount of checks drawn each month against the average deposits for that month in a given set of banks in eight representative cities, the simplest sort of calculation. Having obtained the actual average figures, month by month, for five years, it was an equally simple matter to make proper allowances for the seasonal movements and then to combine these results into a weighted average for the eight cities.

Having obtained these positive results, it was then possible to make a further venture and compare the total debits of 141 cities, published weekly by the Federal Reserve Board, with the demand deposits in about 750 of the weekly reporting banks of the federal reserve system. Here the comparison was not quite so exact, since a larger number of cities was included in the deposit figures than in the debit figures. Actually, however, the results obtained were so close numerically (within 10 per cent) to the weighted average for the eight selected cities, and so closely synchronous in their variations as to leave little doubt as to the trustworthiness of the findings. A comparison of

"Velocity of Bank Deposits," *Jour. Am. Stat. Assoc.*, June, 1923, p. 727; also, *Federal Reserve Bulletin* for May, 1923.

these results and the method by which they were utilized to obtain a new index of business activity are given in the article already cited.<sup>1</sup>

We have unfortunately no direct means of carrying these computations back of 1918. We have the segregation of demand deposits in the national bank statements by comptroller's calls, five times a year, back to 1909; and prior to this, back to about 1875, similar figures for national banks, by calls, for "individual deposits subject to check." Although the proportion of national bank resources to the total bank resources of the country has been slowly declining throughout this period, these national bank returns have shown themselves, nevertheless, highly barometric and, after a tedious number of trials, consistent and significant results were obtained as to the changes or variations in velocity by taking the variations from a seven-year moving average. But these investigations gave no positive answer to the question as to whether the annual average rate of turnover, for all the banks of the country, had in this period undergone any clear secular change. We must, therefore, be content with the positive results from 1918, now completing their sixth year. But these years seem to be of decisive character, for in this period we had the most rapid expansion and decline, alike in active deposits and in the total of debits against these deposits, that the record of fifty years discloses.

If now we take as a base the average either of 1919, a period of high prices, large volume of debits, and high bank deposits, or for the five full years from 1919, and we discover in our averages no clear secular trend, the inference seems strong, after the momentous price decline of 1920-1921, that any other five or six more peaceful and less tumultuous years would yield a similar result. And again:

If the variations in velocity shown by these averages through this remarkable period turn out to be of the same general order, and nearly synchronous with the variations disclosed in the volume of trade, the inference seems clear that, under existing conditions in this country, velocity of circulation is not normally an influential factor in the determination of the price level, though under other conditions, as in Germany in the last few years, velocity may be a very strong influence.

If the variations in trade from its normal rate of growth coincide with the variations in velocity, the ratio of  $\frac{V}{T}$  may be replaced in the equation by a constant.

#### 4. The Problem of Price Measurement

From the earliest attempts towards an estimation of the average changes in prices of a century or more ago, we have come a long way,

<sup>1</sup>*Jour. Am. Stat. Assoc.*, March, 1924, p. 35.

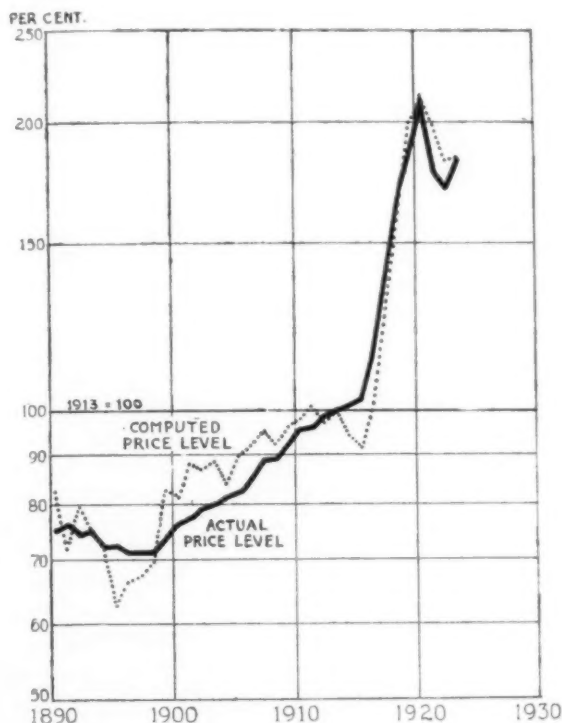


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alike in theory and in detail of practice. And in addition to our familiar indexes of commodity prices at wholesale, which have become almost the handmaid of every business man and executive, we have a variety of other price measures, as of the average cost of living in workers' families, a number of estimations of changes in wage levels, of building costs, of rents, of export and import values, ocean freight rates, and much else.



COMPUTED PRICE LEVEL BY YEARS, AND USING PRODUCTION IN BASIC INDUSTRIES, AS A MEASURE OF TRADE; COMPARED WITH ACTUAL INDEX OF GENERAL PRICE LEVEL.

But we have never before had any objective method of computing changes in the general price level, or average of all kinds of payments. Jevons, in his notable essay of 1863,<sup>8</sup> assumed that the averages of commodity prices at wholesale could serve as such a measure of the general price level, and therefore of the varying value of gold; and

<sup>8</sup>"A Serious Fall in the Value of Gold Ascertained," etc., 1863.

such has been the general assumption since,<sup>10</sup> though Professor Fisher long ago pointed out the inadequacy of this view, and, in his *Purchasing Power of Money*, made use as had Kemmerer before him, of an average of commodity prices, wages and stock prices.

But it is evident that in times of wide and rapid price movements there may be, between this general price level and commodity prices, a notable divergence both in magnitude and character. For example, Professor Warren M. Persons has with great ingenuity disclosed a series of commodities whose prices show a markedly rhythmic or cyclical movement; but these correspond very little to the slower movement of a wide average of commodities such as, for example, the Department of Labor index of wholesale prices.

In turn, our wage indexes have shown wide departures in the last few years from the average of wholesale prices. Actually, for example, a wide average of factory wages, unskilled wages, and clerical wages is now more than a hundred per cent above the level of 1913, while wholesale prices average only about 50 per cent higher. And still more notable is the spread between wage averages and the prices paid to producers of farm products. The index of farm prices prepared by the College of Agriculture of Cornell University was this spring, before the recent rise, less than 20 per cent above the 1913 level. Between this index and that for weekly earnings in New York state factories there was a spread of over 100 points.

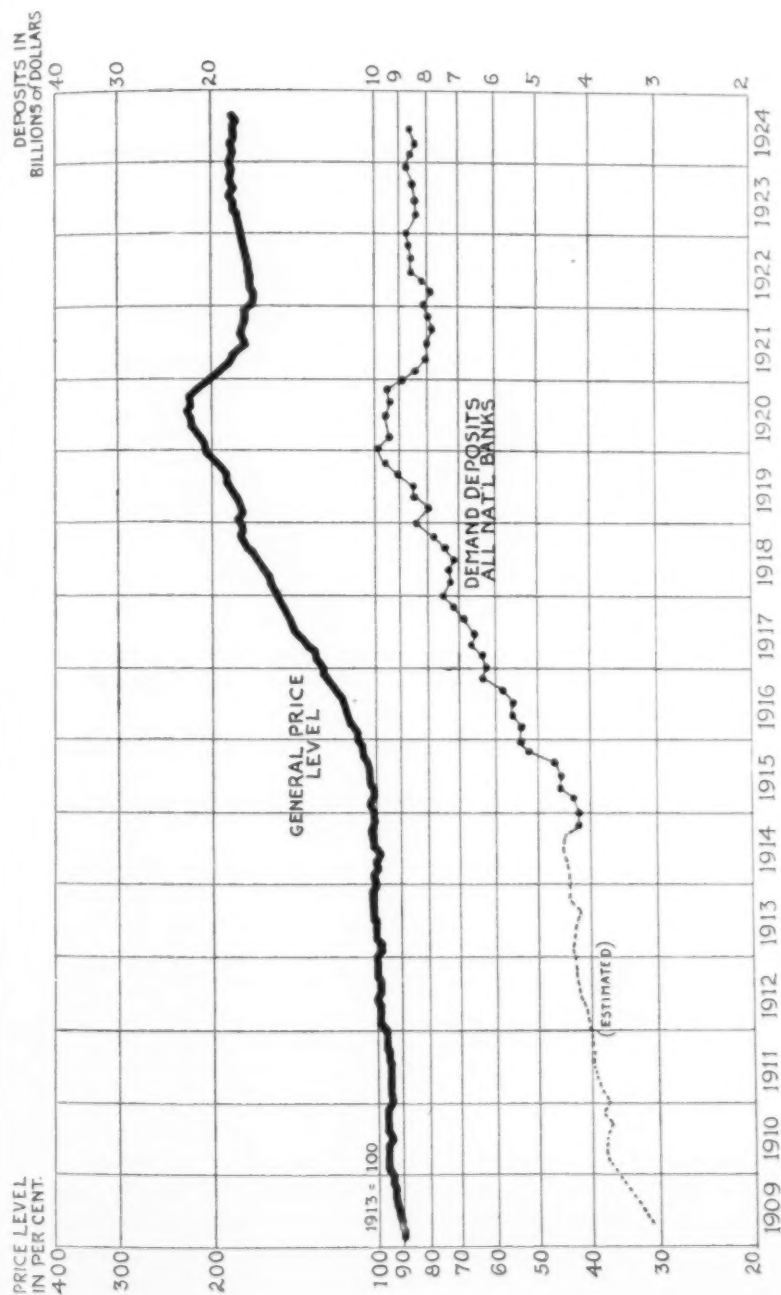
All this could develop in less than ten years.

In general it is a matter of observation that the prices of basic commodities often vary enormously among themselves, and much more widely than the products manufactured from them; and, again, that retail prices vary much less than wholesale prices, since wages and rents, railway rates, etc., make up a large part of the costs of distribution. And in turn rents and railway rates vary much less and much more slowly than any of these. It seemed a propitious time, therefore, to attempt a general average, and this attempt I described in detail last June.<sup>11</sup>

The main interest of this new index, for the present consideration, I have already noted, viz., that by its use, for the five or six test years so far available, bank debits outside of New York City become a close replica of our index of the volume of trade; and in the same way, bank clearings thus corrected show, for an extended period, a quarter of a century at least, very closely the same rate of growth as that disclosed

<sup>10</sup>Largely for this same reason, the interesting attempt of Professor Holbrook Working to compute a theoretical price level shows widely divergent results as soon as the war disturbances begin in 1915. "Prices and Quantity of Circulating Medium," *Quarterly Journal of Economics*, Feb. 1923, p. 189.

<sup>11</sup>"A New Index of the General Price Level, from 1875," *Jour. Am. Stat. Assoc.*, June, 1924, p. 189.



INDEX OF THE GENERAL PRICE LEVEL AND DEMAND DEPOSITS, AS MEASURED BY REPORTED DEPOSITS IN THE NATIONAL BANKS.

in measures of industrial production; in other words, that, in the equation,  $MV$ , as measured by outside clearings, or debits, is experimentally equal to  $PT$ .

If, now, it be true that the variations in national trade from its normal rate of growth, and of deposit velocity, are synchronous and compensatory, and the ratio of the two replaceable by a constant,  $K$ , then we should be able to write the equation:

$$P/K = M.$$

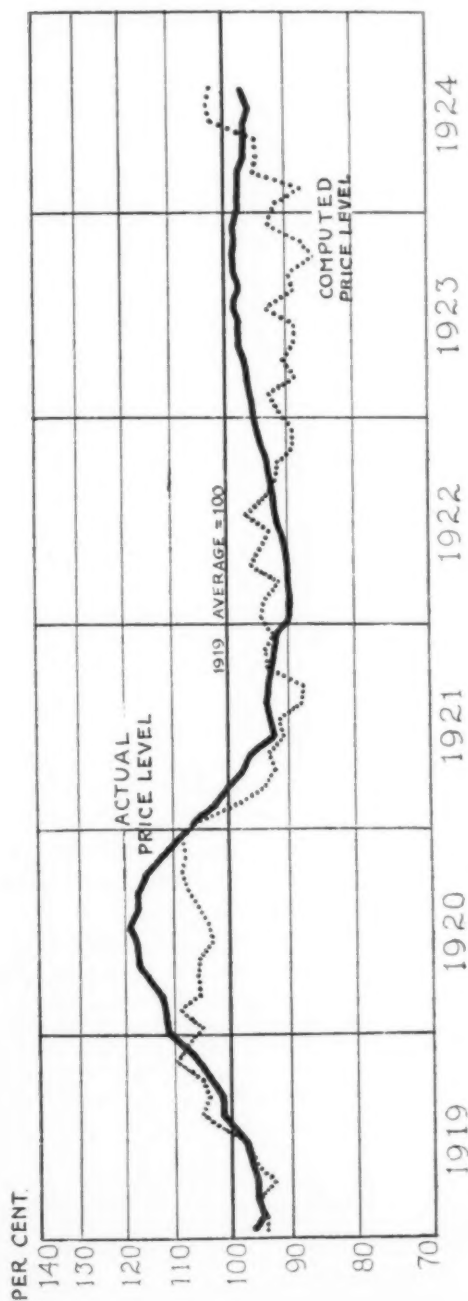
### 5. *The Measurement of the Money Factor*

I have already indicated the limitations of the available material for this measurement. It is a rather striking fact that, with the best banking statistics of any country in the world, this limitation should exist; and that we know little or nothing of the rate of circulation of actual hand-to-hand currency.

But we do know of an extremely interesting relationship between the amount of this currency and the total of demand deposits. This was worked out by Professor W. I. King for the years prior to 1920, and his calculations have since been continued currently by our department. They disclose that in the last quarter of a century there was a fairly fixed ratio, of very slow secular increase, from which there has been in this period only one notable departure, and that was in the years of 1916-1917, as the result of the very rapid increase of bank deposits. So definite had been this relationship prior to this disturbance that it was an interesting conjecture in 1917 as to whether the ratio would return to its previous normal average; this is exactly what occurred with quite clocklike regularity when the disturbance was over, and it has not since materially altered.

So, while we do not know how the rate of turnover or circulation of our actual hand-to-hand currency in circulation outside the banks compares with the rate of turnover of demand deposits, we may very probably infer that the variation in this velocity is fairly synchronous. And we have no great need for the actual rates of turnover if we may rely upon such a relationship.

For the rest, of course, the influence of actual currency in circulation is at the present time much less than it was before the establishment of the federal reserve system. Now the volume of our currency issue corresponds exactly and almost automatically with the actual demands of trade and the status of price levels. In this country, under the new banking system, wherein gold has largely been withdrawn from circulation, and employed almost wholly as bank and currency reserves, the actual hand-to-hand currency is now rather a consequence than a potent factor in the determination of price levels.



COMPUTED PRICE LEVEL, FROM PRESENT MEASURE OF V, T, AND M (DEMAND DEPOSITS)  
COMPARED WITH ACTUAL INDEX OF GENERAL PRICE LEVELS.

Furthermore, the ratio of currency to demand deposits is only about 1 to 5, and consequently, even if we would suppose an equal rapidity of circulation, the influence of the currency would be relatively small.

Since we have no accurate measure of demand deposits over a long period, we have attempted to calculate the hypothetical price level derived from the relation of bank clearings (MV), divided by an index of industrial production. Of the three series of production indexes which we have computed,<sup>12</sup> that showing the most consistent rate of growth over the long period was made up of twenty-eight identical items, and included nine of the principal metal and mineral products, nine crops, and ten miscellaneous items. We know experimentally, from a comparison of these production indexes, and those of Day and Stewart, with our clearings index for the long period and our volume of trade index for the short period, that the volume of basic production does not correspond closely in time with the variations of trade, although, as already noted, the degree of variation from the normal rate of growth is of the same order. We cannot, therefore, expect a close result, and the calculation, as is disclosed in the accompanying chart, shows rather wide divergences. Nevertheless, the general congruence shown, especially in the latter part, which is by far the more decisive since it was in this period that the great rise and fall of prices took place, is of interest.

For the five years and a half which we now have of our composite index of the volume of trade, we have made a calculation of the theoretical price level, as compared with the actual, using as factors, the index of trade, demand deposits of the weekly reporting banks of the federal reserve system (making up about three quarters of the total), and the relative deposit velocity. This result is set forth in the second diagram. The discrepancies shown, and the irregularities of the hypothetical line, indicate that an exact congruence seems not yet obtainable.

The third chart depicts the narrow relationship which subsists between the growth of demand deposits and the general price level. It will be seen that, for example, through the years from 1909 up to 1916, when the growth of deposits was at the rate of about  $4\frac{1}{2}$  per cent per annum, the rise in the general price level was very slight. When the great rise in deposits began towards the end of 1915, prices also began to mount rapidly in nearly the same degree. From the high levels of 1920 to the low levels of 1921 there was a fall in deposits of about 17 per cent, and a decline in the general price level of about the same order. In the preceding two years, and until recently, demand deposits have remained at about the same level, and so has the general average of prices.

<sup>12</sup>AMERICAN ECONOMIC REVIEW, March, 1921, p. 70.



### 6. Conclusion

A general summary of results has already been given at the opening of this article. The limitations of the experimental proof have been duly set forth. Within these limitations the results seem to give a fairly definite picture of what takes place. Our monetary and banking system has been developed in such fashion as apparently automatically to take care of the variations in the demands of business and trade which constitute what we call the normal cycle. In other terms, as already stated, deposit activity increases with business activity and declines with business activity. But the condition of this narrow relationship is that, as the volume of trade grows from year to year—the normal growth attendant upon the growth of the population and the steady increase of national wealth and well-being—so also must the volume of circulating media grow correspondingly. In other words, the movements of the general price level are no longer a mystery; and we now possess the data upon which to calculate what this price level will be, under given conditions.

These results seem to present the equation of exchange in a notably different light from that in which it has heretofore been viewed. They do not settle the vexed question of causal relationships, nor explain why, for example, with enormous surplus and reserves, we have not had in the last two years another great monetary inflation. Those "other factors," which Mitchell, Anderson and others have insisted upon, obviously have their effect; but it seems equally clear that the degree of their potency varies sharply.

For the rest, it is always to be observed that the perambulations of a tethered cow are restricted by the length of the rope; and that, with our fixed banking reserves, the extent to which expanding business may force an expansion of bank deposits is equally limited by the size of our pile of gold. It is sufficient if we have now clearly established the narrow relationship between deposits and the general price level.

The indications seem to be that this same degree of relationship does not subsist between the money factor and commodity prices at wholesale, although at times of slow price movement and even growth of trade, even here this relationship is fairly close.

CARL SNYDER.

#### *New York City.*

NOTE:—For criticisms and suggestions, the writer is much indebted especially to Wesley C. Mitchell, E. W. Kemmerer, and to the writer's associates, Shepard Morgan and W. R. Burgess. The statistical work which is the basis of this article is from the Reports Department of the Federal Reserve Bank of New York, and the computations for the diagrams here given, by Miss Lucile Bagwell.

## REVIEWS AND NEW BOOKS

## General Works, Theory and Its History

*Conservatism, Radicalism and Scientific Method: An Essay in Social Attitudes.* By A. B. WOLFE. (New York: The Macmillan Company. 1923. Pp. xiv, 354. \$3.50.)

The main theme of this book is that social progress must depend upon an increasingly wide diffusion of the scientific attitude towards all social problems; and that such diffusion can be effected, not by the teaching of physics and chemistry, mathematics and engineering, but by wider and deeper study of the social sciences from the psychological point of view. The first eight chapters are devoted to a psychological analysis of the two most distinctive social attitudes, the conservative and the radical. This part of the book is a practical demonstration of the sort of treatment of social and political problems which the author would advocate throughout the whole field of the social sciences. It is well done and calls for only one serious criticism. Namely, the author describes and explains conservatism in the commonly accepted fashion, as being in the main an attitude of respect and affection for the past; whereas it is more true to say that enlightened conservatism is essentially an attitude of prudent concern for the future course of social life, one which constantly remembers that it is much easier to destroy than to create and that social progress is necessarily a slow process of creative evolution. The author has succeeded in giving a good example in the dispassionate objectivity of treatment which he demands. And, since the author is a professor of economics, it is welcome as one more sign of the increasing recognition that economics, as well as all the other social sciences, has to deal with problems that are largely psychological, and cannot any longer be content to deal with them by the aid of a few crude psychological assumptions, such as that men always seek pleasure and avoid pain, or that each man desires to secure for himself the largest possible amount of wealth.

It is by the device of assuming certain rather common tendencies of human nature to be invariable constants that in the past economists have avoided the necessity of dealing with their psychological problems. For, having assumed certain tendencies of human nature as constants, they are free to concentrate their attention upon the variable and adjustable factors, such as raw materials, commodities, prices, and transportation facilities; forgetting that all these, and all other factors with which they deal, are relative to, have their value and importance only and solely in relation to, human desires and purposes, which are not, and cannot safely be assumed to be, constants.

In the psychological reform of economics and of the other social sciences which is in process, there is an intermediate or half-way position, the position occupied by many psychologically minded reformers, including the author of the book under review. The essence of this half-way or half-psychological position is to aim at taking full account of the psychological factors, but to do so on the assumption that psychological "laws" are essentially of the same nature as the "laws" of physical science, that human actions are merely complicated physical processes, that, in short, man is a machine, a mechanism all of whose actions are strictly determined (in principle, predictable) by the laws of physics and chemistry.

Professor Wolfe leaves us in no doubt as to where he stands in this matter. He does not tire of asserting that "a deterministic philosophy and a mechanistic psychology, scientifically necessary, are the greatest aids in this task" (p. 318), the task of reform. "Not only, then, is the scientific mind deterministic; it does not limit its faith in cause and effect to the physical world, but extends it to include man; it regards man as a part of the mechanistic universe" (p. 219). "The scientist can proceed not otherwise than on the assumption that human life, like the rest of nature, is completely and dependably mechanistic" (p. 242). He recognizes the all-importance of an understanding of human purposes and motives for all the social sciences. "Human life is also shot through and through with the purposes of human individuals. . . . Consequently the social scientist cannot dodge, if he would, the necessity of including motives in his factual data." But for him "purposes are but a part of the mechanism" (p. 242). "There is scarcely a department of social science, economics, jurisprudence, social psychology or what not, in which investigations of social organization and social process does not involve, or at any rate ought not to involve, a study of motives." But, he asserts, "motives are to be regarded. . . . as links in the stream or nexus of the general mechanistic causation of social phenomena" (p. 234).

The author nowhere seeks to justify these *ex cathedra* assertions that man is a machine. It would seem that, like many others, he has uncritically absorbed this dogmatic metaphysic from the atmosphere in which his youth has been passed. The biologists and psychologists, from whom in the main Professor Wolfe has absorbed this mechanistic dogma, commonly labor under the delusion that their assertions of it are backed by all the authority of the physical sciences. These persons, and especially such of them as are economists, may be strongly recommended to read a recent pamphlet by a great physicist: its title is *Cartesian Economics*, and it is the work of Professor Frederick Soddy of Oxford. The reading of it may initiate their redemption from the toils of the mechanistic metaphysics, and should at least

shake them from their dogmatic slumber. Citation of the relevant passages would occupy an undue amount of space. Suffice it to say that this leading physical-chemist scores the mechanistic dogma, applied to social sciences, as the great bar to progress. He characterizes it as an error "common to the sphere of economics. It may be called 'ultra-materialism' and is the attempt to derive the whole of the phenomena of life by continuous evolution from the inanimate world."

But sufficient refutation of this part of the author's creed is supplied by his own assertions of the opposite and entirely incompatible creed: for these other assertions affirm the creed by which we all live, the creed which we all practice in so far as we are effective and useful members of society, the creed which Professor Wolfe practices, which he asserts in certain passages, and of which his whole book is a striking expression; the creed, namely, that human desires, purposes, and motives, and human efforts inspired or motivated by desires to realize ideals, conceptions of what ought to be as contrasted with what is, are real forces that may and do play a more or less effective part in guiding the course of social evolution.

If we accept, if we really believe (for real belief governs our actions and is revealed only in so far as it expresses itself in conduct) the mechanistic theory of man, so dogmatically asserted by Professor Wolfe, as the necessary foundation of social science, then we believe that the future course of events, of human history, is already exactly determined and that no effort of our own to turn its course, to better the lot of man, to hasten or to guide the social processes, can be of the slightest effect. We shall believe that we are condemned by the nature of things to be merely spectators of the course of history, that, though we may become able to understand and to predict more and more exactly that course, we are powerless to intervene to "remould it nearer to the heart's desire." Now, Professor Wolfe by his own repeated admission, as well as by his strenuous labor in writing this otherwise excellent book, shows that he does not believe all this. The book itself is the expression of his belief that we can, through effort and discipline, and by the aid of knowledge and thought, to some extent guide the course of social evolution. And he writes, "Our task is to find a practical method of directing social evolution to some adequately rational aim or purpose. . . . it is to replace 'drift' by 'mastery'—captaincy of our own collective advance. It is to substitute what Lester Ward. . . . called 'collective telesis' for 'social genesis.' It is to make human experience and knowledge *constructively creative*." He speaks of "the direction in which social evolution should consciously be guided"; and in other passages he writes of the "creativity" of human efforts, of "creative intelligence," of

"constructive imagination," and of "constructive effort." And he writes of these as realities that he accepts and in which he has faith as the main agents of social progress.

It is a strange thing that the author, in exhibiting this radical inconsistency, in asserting dogmatically the mechanistic creed and, in the same book, affirming both practically and in words his belief in the efficiency and creativeness of human efforts guided by ideals, is marching in step with a horde of similarly inconsistent metaphysicians of the market place. Again and again he exhorts his readers to get rid of metaphysics; yet all his dogmatic determinism is but an ill-founded metaphysical prejudice. If the theory of deterministic mechanism is true, there is no sense in looking to constructive imagination and creative effort for the betterment of human life.

A minor criticism is that Professor Wolfe repeatedly states his adhesion to "behaviorism" or "behavioristic psychology." This assertion cannot fail to puzzle and confuse those readers who are not *au fait* with the strange situation that obtains in the camp of the psychologists. The terms "behaviorism" and "behaviorist" are rightly claimed by a certain numerous school of American psychologists to denote their doctrines and themselves. These are the followers of Dr. J. B. Watson. The essence of their position is that they refuse to take any interest in or concern themselves with the facts of consciousness or human experience; because, starting out with the dogmatic assumption that man is a machine and that "consciousness makes no difference" to the working of this, the most complex of all machines, they believe that they can best promote our understanding of the machine by ignoring consciousness and by paying attention only to the physical movements of its parts. Now Professor Wolfe does not accept "behaviorism" in this sense; for he tells us again and again that he does not intend to ignore consciousness. And his good intentions are borne out by the fact that he incidentally asserts his adhesion to the old-fashioned and now pretty well exploded doctrine of hedonism which ruled so much of the social philosophy of the nineteenth century (see pp. 257, 307, 311, et alia). This is merely another evidence that he has not thought through the psychological foundations on which he claims to build.

It is then regrettable that the author should confuse his readers by asserting adhesion to behaviorism, while in reality repudiating that strange academic fad. What he means by "behaviorism" is merely the balanced psychology which does not, like so much of the intellectualistic psychology of the last century, concern itself exclusively with facts and problems of consciousness, to the almost total neglect of the facts of conduct. But to call such psychology "be-

haviorism" is merely to confuse the reader, at the small gain of seeming to be in step with a current fashion.

These criticisms might seem out of place in a review of a book on conservatism and radicalism, were it not that it is also specially concerned with the problem of "scientific method" in its application to social problems. Since the criticisms are severe, though deserved, let the review end on a note of approval of two features of the book; first, the author's useful distinction between individualism of ends and individualism of means. Second, the fact that the author, unlike so many writers on social questions, does not wholly ignore the fundamental importance of "the population problem."

WILLIAM McDUGALL.

Harvard University.

#### NEW BOOKS

ALESSIO, G. *Ulteriori studi nella teoria del reddito nazionale*. (Rome. Memorie della R. Accademia Nazionale dei Lincei. 1923.)

Learned and acute revision of the theories of revenue, particularly those of Irving Fisher, with significant comments on the relations between the development of income and the development of inheritance, and on the effects of the expenditure of public revenues in relation to private incomes.

A. G.

ATKINS, D. *The economics of freedom*. (New York: Duffield and Company. 1924. Pp. xxiv, 349. \$4.)

"Being [adds the sub-title] a contribution to the theory of taxation, value and currency, as logically modified by the advent of democracy, which, having elected to liberate human effort and terminate arbitrary apportionment of power and responsibility, must endeavor to devise a system of measurement based upon calculable factors, if these are available." The "calculable factors" which Mr. Atkins, who is a member of the American Institute of Mining and Metallurgical Engineers, proceeds to discover are land area, population, and time. In terms of these he develops a "scientific" system of economic values, and especially a scientific currency, to replace the gold standard, which is "our factor of havoc." "The political-economists, the moralists and the politicians, between [sic] them, have arrived at formulae in which the flavors of cupidity, resignation, perplexity, luck and legerdemain are so mixed that the engineer is fully justified in adding them to his museum where aquavitae, the philosophers' stone and the objects of the black arts lie covered with dust" (p. 69).

The reviewer feels a genuine sympathy with (and not merely for) those engineers and physical scientists who every little while considerably devote a portion of their leisure time to straightening out the science of economics and training it up in the way it should go. The practicing engineer especially, with a first-hand knowledge of business facts and methods added to a thorough training in quantitative thinking, is likely to see and appreciate things of importance which the literary and academic economist is prone to slight. This is true of Mr. Atkins. The professional economist could get valuable ideas from a study of this



book. He would be in no danger of being taken in by the crudities which form its main contentions, namely, the chimera of an objective measure of value and some confused notions of Freedom which, if they were worked out with logical consistency, would end in out-Spencering Spencer. If generous minded and endowed with a sense of humor, such a reader need not be deterred by the author's condescending airs toward economists. A more serious barrier between the ideas of the book and the educated reader is the turgid style, striving always to be clever and striking rather than clear. But the book does contain flashes of real insight and points of view worth serious consideration.

FRANK H. KNIGHT.

BELLOC, H. *Economics for Helen*. (New York: Putnam's. 1924. \$2.)

BÖHM-BAWERK, E. VON. *Gesammelte Schriften*. Hrsg. von F. X. WEISS. (Vienna: Hölder-Pichler-Tempsky. 1924. Pp. xv, 515.)

BOWLEY, A. L. *The mathematical groundwork of economics*. (New York: Oxford Univ. Press. 1924. Pp. v, 98. \$2.35.)

BRENTANO, L. *Der wirtschaftende Mensch in der Geschichte*. (Leipzig: Verlag von Felix Meiner. 1923. Pp. xii, 498. 7s. 6d.)

A collection of essays and addresses, the first dating from 1888, when the author began his first course of lectures at the University of Vienna, and discussing what he regards as the failure of the classical English economic theories to correspond with the facts of modern business. The rest deal chiefly with the opposition between religion and business practice, under such titles as "Puritanism and capitalism," "The origin of the attacks on property," "The economic teaching of Christian antiquity." In spite of the learning and culture of the author, the essays are somewhat desultory and out of date.

R. R. W.

BUSHEE, F. A. *Principles of sociology*. (New York: Henry Holt & Co. 1923. Pp. xiii, 577. \$3.50.)

This is a very unusual treatise on sociology. In the first place it is entitled simply "Principles," and not "*The Principles*" of Sociology. In the second place it is clearly and ably written. The author has marshalled his data and his thought in an admirable manner. And in the third place, he frankly recognizes, and states, his own particular "slant" on the subject.

Like Professor Carver, traces of the early influence of whom are clearly evident, Professor Bushee thinks that psychological factors have of late been overemphasized, and that the biological and demographic factors should have more attention. He holds that "the character and quality of the population are of much more importance in the life and development of social groups than would be indicated by the treatment of most writers."

After the first three chapters, which are in the nature of an ethical introduction, we plunge at once into what is at bottom a prolonged exposition of selective influences and results. The thread of struggle, variation, adaptation, and survival runs through the main body of the work.

The discussion of genetic factors, which constitutes part III, some 200 pages, deals with sex relations and population problems. On sex

matters there are some surprisingly naive homiletic items and some conclusions with which it should be easy to quarrel. But the author is never dogmatic, and a book on sociology which did not express some opinions not strictly derivable from objective scientific facts would be a unique phenomenon. It would also probably be too desiccated to use as a text. Nevertheless, here, as in the latter part of the book where he deals with psychological and cultural factors, one cannot but wish that Professor Bushee had made as thorough a survey of recent psychological literature as he has of that of genetics and social selection.

To the economist the chief point of interest in the book perhaps is the large amount of space given to population. Here in comparatively brief compass are marshalled conclusions from much of the best-known demographic data—on birth rates and death rates, differential fertility, heredity, and genetic selection, under which last of course comes eugenics. The reviewer would take a much more critical and skeptical attitude toward much of the "scientific knowledge" in this field than does the author, but the evidence is clearly presented, and that is the main thing. The treatment of theories of population, confined as it is to Spencer, Malthus, and Dumont (a grievously overrated writer) is inadequate, both from the standpoint of economics and from that of social psychology. It would have been desirable, too, to bring the vital statistics given more nearly down to date. And the discussion of the causes of the declining birth rate would have been more satisfactory had the author consulted literature beyond the English, for instance Julius Wolf's *Der Geburtenrückgang*.

If the present volume is meant for a text for introductory or general sociology, two pedagogical criticisms are in point. First, the discussion of heredity is much too technical, for the average sociology department insists on allowing students to take sociology who not only have had little or no economics and psychology, but many of whom are innocent of the most elementary contact with biology. And second, as a general text, it is—avowedly, to be sure—one-sided.

It is, however, too much to expect anything else from any writer. The field is so large and the subject-matter so unwieldy that even if a well-balanced general text were written, it would, if kept to reasonable size, have to be so schematic as to have little meaning or value to the student.

A. B. WOLFE.

CARVER, T. N. *The economy of human energy*. (New York: Macmillan. 1924. \$2.)

DIEHL, K. *Theoretische Nationalökonomie*. Vol. II. (Jena: Fischer. 1924. Pp. viii, 372.)

FRANKLIN, F. *Plain talks on economics. Leading principles and their application to the issues of today*. (New York: G. P. Putnam's Sons. 1924. Pp. ix, 353.)

As an attempt on the part of a distinguished mathematician and journalist to give readers without previous knowledge of the subject "a feeling of what economics is like," in the hope that many of them will get such a grasp of essential principles as will enable them to discuss intelligently the many economic questions of the day, this book should be of considerable interest to teachers of economics. Apparently the

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author has performed his task about as well as anyone could, and that without creating an illusion of simplicity. On the contrary, while expounding principles and problems in lucid language, he presents many a knotty problem and gives the reader glimpses of difficulties that conduce to humility, and yet lure the courageous on to further study.

The book is incomplete, of course, for it is neither a textbook nor an encyclopedia. The theoretical part is somewhat conventional, but that facilitates the exposition. It must be rather staggering for a beginner to bump up against the idea of the margin in the second chapter and the concept of value shortly thereafter; but these and other fundamental principles are explained with such nicety and precision, and in such simple language that the diligent reader will get at least an inkling of their meaning and some knowledge of their application to the solution of particular problems.

Two thirds of the book are devoted to issues of the day—overproduction, monopoly, trade unions, taxation, protection and free trade, coöperation and profit sharing, socialism and the like—all of which are presented in a clear-cut and effective way, the crucial points being brought into bold relief, with a fine disregard of non-essentials. Yet the mere mention and partial discussion of such subjects as the incidence of taxation, triangular exchange, the quantity theory of money and the stabilized dollar show that economic questions cannot be simplified beyond a certain point, and that it is neither possible nor desirable for every man to be his own economist. For all that, Dr. Franklin's excellent book, like others of the kind, may do much to promote the study of economics, while showing the importance and difficulty of the science and the need of respect for competent authority.

J. E. LE ROSSIGNOL.

GIDE, C. *Principles of political economy*. Translated from the twenty-third French edition by E. F. Row. (Boston: D. C. Heath & Co. 1924. Pp. xiii, 555.)

This book, as stated in the heading, is a translation of the twenty-third edition of Professor Gide's *Principes d'Economie Politique*, published in 1921. The popularity of this excellent work is indicated by the number of editions brought out; and the new edition will be welcomed by many teachers of economics. Much of the material is identical with that contained in earlier editions, and the general spirit and viewpoint is the same, although the arrangement has been greatly altered.

The author explains that the revision has been necessitated by the events of the Great War and of the post-war period, but there is little in the book that could not have been written in 1914. Perhaps this is not unfortunate since the book deals mainly with historical, philosophical and theoretical principles, which have not been greatly changed by the war.

The use of French examples and illustrations will of course be an obstacle to the use of this book as a text for American students. Our students would rather read discussions in terms of dollars than in terms of francs; in terms of pounds, rather than kilograms. Nevertheless there are few texts in use in the United States that have as much to offer the intelligent student as this edition of Gide's *Principles*.

JOHN ISE.

GRAZIANI, A. *Capitale e interesse*. (Naples: R. Accademie delle Scienze Morali e Politiche di Napoli. 1923.)

Thoughtful examination of the principal questions concerning the conception of capital, the capitalistic process of production, the value of present and future wealth, the rate of interest and the rate of discount in their relations and in their effects.

HUNTER, M. H. and WATKINS, G. S. *The background of economics*. (New York: McGraw-Hill Book Co. 1923. Pp. x, 514.)

This text for use in beginning classes in economics is another evidence of the growing desire of teachers to acquaint their students better with the facts of the business world before introducing them to the more difficult principles and problems. The traditional three-hour, two-term general course has long been inadequate to cover the rapidly growing subject, and especially its descriptive aspects, in a time of rapidly changing technique and of world economics.

The authors have made a commendable experiment which shows some of the marks of pioneering effort. The bulk of the text (somewhat more than one half) treats of physical and commercial geography; a few chapters near the beginning reflect the newer interest in behaviorist psychology and in sociological factors; and most of the remainder (the last third of the book) has much the character, both in substance and in manner of treatment, of several of the recent elementary texts for high school and college use. The net result is a convenient compilation of materials, well written and edited, rather than anything radically new in either substance or treatment. The reader finds in abbreviated form in one volume materials that otherwise must be sought in several. The process is, after all, somewhat more mechanical than freshly synthetic. Probably, however, many teachers will welcome this work and will find for it a very useful place in the classroom. Others, if able to find time in the crowded curriculum, will prefer to use still the more extended manuals in economic history and commercial geography. In any case, the development of this descriptive material cannot be deemed, and very properly is not meant by the authors, to be a substitute for the general course, but merely a supplement to it, giving a much needed preparation for its better understanding by the student.

FRANK A. FETTER.

LORIA, A. *Alfredo Marshall (Medaglia)*. (Rome: Formiggini. 1924.)

A rapid but very valuable analysis of the scientific work of Alfred Marshall.

MARRIOTT, J. A. R. *Economics and ethics. A treatise on wealth and life*. (New York: E. P. Dutton & Co. 1924. Pp. x, 298. \$5.)

Mr. Marriott has a long record as a writer of books and of articles on public questions in the English reviews. It is a little difficult to say just what this book is meant to be, and therefore to review it fairly. The argument is addressed, "to those who desire to order their daily lives . . . in conformity with the highest ethical standards, or, in more familiar words, to live according to the will of God." There is implication that the work is meant for a textbook, a simple exposition of "the leading principles of economic theory as understood and expounded by the classical economists."

As a presentation, in outline, of orthodox classical economics, the

book has merit. The arrangement is strictly traditional and the method of presentation uniform. On each subject we start with Adam Smith or before, and come down to Walker, sometimes further. Interspersed with these summaries of doctrine are frequent excursions into concrete economic history, and some reference to present-day economic movements. Then follows, in each chapter, a brief homily on ethics, usually to the effect that economic laws are immutable. The subject-matter and the stereotyped treatment make the book a bit dull to the initiated, but, as a running outline, it is one which might well prove useful to the student in the development of economic theory.

While the material included in the sections on economic history is available in more compact form elsewhere, its juxtaposition here close to the outline of doctrines offers a suggestion to the writers of texts on economic history. We should have fewer economic chronologies and greater insight into the real forces of economic evolution if more economic historians would take time to study intellectual and social movements and attempt some correlation between them and the trend of economic evolution.

Mr. Marriott's ethical contribution is not of large dimensions. The ethics of money and the mechanism of exchange, for instance, is dismissed in one paragraph, the general implication of which is that Christian ethics cannot have much to say on such a complicated subject. Similarly, with regard to international trade, he sees no ethical problem, save perhaps one in the possible connection between protectionism and militarism. He is apparently oblivious to the vital ethical problems involved in market rivalry, trade and the flag, export of capital, etc. He thus misses a golden opportunity to apply the ethical test to the nationalistic phase of our economic organization.

But it is too much to expect that a writer with such naive faith in "economic law," and such confirmed belief that economists—classical economists in particular—know the law, should enter these living questions of today. It would be too harsh to say that the book is a Tory apology for conservative individualism, but it reads like a voice out of the past.

A. B. WOLFE.

RAE, J. *The sociological theory of capital*. Edited by C. W. MIXTER. (New York: Macmillan. 1924. Pp. 537. \$4.)

A complete reprint of the *New Principles of Political Economy*, edited with biographical sketch and notes by Charles W. Mixter.

RILEY, E. B. *Economics for secondary schools*. Under the editorial supervision of A. A. YOUNG. (Boston: Houghton Mifflin. 1924. Pp. 318.)

The marginal utility of textbooks in elementary economics has been declining somewhat within the past few years, but after reading Professor Riley's *Economics for Secondary Schools* one can scarcely regret that legislation against further emission of books on "Elements" has not yet been enacted.

This little book is written for high school use, by a teacher actually engaged in high school teaching. Practically all of the material has been used in high school classes, and it is the opinion of the reviewer that the volume will prove one of the most popular high school texts on the

market. There is no pretense to originality, except in the manner of presentation. The style is clear and simple, and the organization such that the book should be more than usually teachable. In spite of its brevity and simplicity, it covers a surprising number of questions.

One feature of this book which will doubtless contribute to its teachableness is the fact that it is carefully outlined, with most points and arguments numbered marginally. The reviewer confesses to some doubt as to whether this numbering of points always contributes to a real understanding of the subject, for Charlie sometimes learns the "five points" or the "five arguments" by rote, without much understanding of any of them, and the teacher finds it perhaps too easy to grade according to the number of "points" or "arguments" remembered. Nevertheless, this feature of the book will make it easy to teach, and perhaps it is pedagogically justified.

While nothing profound is apparently intended, the economics in this book is generally well considered and judicious, as would be expected under the editorial supervision of Professor A. A. Young. A suggestive set of questions is included in the appendix. J. I.

SMALL, A. W. *Origins of sociology*. (Chicago: Univ. of Chicago Press. 1924. Pp. 366. \$3.)

THÉODOTOU, S. T. *De quelques théories sur la valeur en économie politique*. (Paris: Marcel Giard. 1924. Pp. 137.)

WILKEN, F. *Grundzüge einer personalistischen Werttheorie unter besonderer Berücksichtigung wirtschaftliche Wertprobleme*. (Jena: Fischer. 1924. Pp. viii, 160.)

*Grundriss der Sozialökonomik*. 1. Abt.: *Historische und theoretische Grundlagen*. I. Teil, *Wirtschaft und Wirtschaftswissenschaft*. II. Teil, *Theorie der gesellschaftlichen Wirtschaft*. Second edition. (Tübingen: Mohr. 1924. Pp. 208; 330.)

*Palgrave's dictionary of political economy*. Edited by HENRY HIGGS. Vol. II, F-M. New edition. (New York: Macmillan. 1923. Pp. xviii, 962.)

Substantially all of the first edition (1896) is reprinted, with additional articles in the appendix. Here are to be noted special articles on "Farmers' organizations in the United States" (by B. H. H.); "Final utility"; "Finances" of France, Germany, and the Netherlands; "French school of economists" (by C. G.); "German school of political economy, 1892-1921"; "Income tax in the United Kingdom—Developments since 1896"; "Use of income tax statistics in estimating the national income"; "Index numbers" (by F. Y. E.); and "Italian school of economists in the last twenty-five years" (by Ach. L.). The revision is marked by the same scholarly supervision which Mr. Palgrave gave to the original work.

### Economic History and Geography

*Russian Debts and Russian Reconstruction*. By LEO PASVOLSKY and HAROLD G. MOULTON, with the aid of the Council and Staff of the Institute of Economics. (New York: McGraw-Hill Book Company. 1924. Pp. ix, 247. \$2.50.)

Knowledge of facts bearing on international relations has not kept



pace in the United States with the increased importance that foreign affairs have assumed since the war in popular interest and as a factor influencing American economic conditions. For this reason the series of studies on international economic reconstruction, which the Institute of Economics has undertaken and of which the present volume is the second, are particularly welcome additions to our economic literature.

In the volume *Russian Debts and Reconstruction*, as in its predecessor in the series, *Germany's Capacity to Pay*, the authors present a careful analysis of pre-war trade conditions as affording the best available indication of what can be expected from a country after its economic life has been reestablished on approximately the basis that prevailed before the war. In Russia the balance of merchandise trade before 1914 was continuously favorable, but gold imports for purposes of currency reform and interest payments on foreign indebtedness more than absorbed this favorable balance, with the consequence that Russia's debts to foreign countries continuously increased and the problem of balancing international payments was a constant source of anxiety to the Czar's ministers of finance. The policy of industrialization, inaugurated by Sergius Witte, was intended to increase Russia's balance of trade by reducing her dependence on foreign countries for manufactured goods, but the immediate effect of this policy was a larger demand for machinery and equipment, which further increased the difficulty of balancing international payments. In prosperous years Russia succeeded in paying her way, but in years of poor harvests she was under the necessity of borrowing increasing amounts from western countries, and particularly from France, with the consequence that at the outbreak of the war Russia was burdened with an enormous foreign debt. During the war this debt increased from about 7 billion to about 14 billion gold rubles.

In discussing Russia's capacity to pay this foreign indebtedness, the authors point out that it can be done only by increasing the country's exports faster than her imports, and on the basis of pre-war experience and the fact that Russia will require additional reconstruction loans from abroad, they reach the conclusion that Russia is not in a position to meet her foreign obligations, except on a much reduced scale and over a long period of time following upon a protracted moratorium. The authors further point out that Western Europe is interested in Russia's reconstruction chiefly because it would result in an increased demand for manufactured products and would thus afford an outlet for European industries. Thus Russia's rehabilitation would mean an increased volume of imports, the payment for which would make it still more difficult for Russia to reduce her foreign indebtedness. Western European countries, therefore, in

the interests of their own export industries, should permit Russia to write off her old debts in order to enable her to borrow for purposes of reconstruction, and in order to reestablish in that country a market for the output of their industries.

From one point of view the authors' conclusions are entirely convincing. If Russia in the hey-day of her pre-war and pre-bolshevik prosperity was unable to build up a favorable export balance, then the Russia of today, dismembered and impoverished by the war and by the bolshevik régime, can hardly be expected to meet, in addition to her current requirements, the heavy interest and amortization charges on the enormous debts previously incurred. And yet there are many questions about Russia's future possibilities that arise in one's mind to which no conclusive reply is found in the present study. Was the economic development of Russia under the czars and their finance ministers, after all, the best of which the country would be capable, if an efficient democratic government were to be established? During the war, it will be remembered, the Russian people were able through coöperative enterprise to supply the army with adequate food and clothing after the imperial government had thrown up its hands in despair and after innumerable soldiers had starved and frozen to death at the front. Might not a reconstructed and self-governing Russia be capable of an economic upswing far greater than her pre-war record and far greater than is anticipated by the authors? In view of the radical changes that have occurred in Russia since 1914 one is even inclined to question whether the future development of the country will lead it back to its pre-war condition and will not rather follow a different course, one, for example, characterized by more up-to-date agricultural enterprise and more intensive development of mineral resources, without the reestablishment of artificially stimulated industries toward which the country was driven practically by force in the days of Witte and his successors. Are there not in the Ural region great riches in copper, platinum, radium, gold and precious stones, for which there is always a ready market, and the efficient exploitation of which might, when added to an increased surplus of agricultural products, change the aspect of Russia's balance of payments? Russia's case differs in this respect from that of Germany in that the latter is an industrialized and highly developed country, whose soil does not yield enough to support her population, so that for Germany industrial enterprise and the finding of foreign markets is an economic necessity, while Russia might find her economic salvation by a different path. Russia is not dependent on the sale of her products in the world's keenly competitive markets for manufactures, but is herself one of these markets, and possesses the great advantage of an assured demand for the products of her own soil.

In view of these considerations, the reviewer feels that the authors of the present study on Russian debts and reconstruction should carry their study farther by surveying the possibilities of Russia's economic development on the basis of her natural resources, if these resources were to be efficiently utilized. In such a study, which might be a second volume of the work now published, the problem of the extent to which foreign capital would be required for the development of Russia's resources and the best arrangements by which such capital could be induced to come to Russia should receive careful consideration. It is possible that as the result of this further study the authors might modify some of their present conclusions about Russian reconstruction.

E. A. GOLDENWEISER.

#### NEW BOOKS

ALVAREZ, A. *The Monroe Doctrine: its importance in the international life of the states of the New World.* (New York: Oxford Univ. Press. 1924. Pp. ix, 573. \$3.)

BEARD, C. A. *American government and politics.* Fourth edition, thoroughly revised. (New York: The Macmillan Company. 1924. Pp. x, 820.)

This well-known text has been completely recast; the method of presentation has been changed, the arrangement of material has been altered, the volume has been increased in size, both as respects the individual page and the number of pages. In general, the historical method of presentation formerly used has been abandoned or at least subordinated to systematic treatment, not only in the book as a whole, but in the various chapters.

This change in method appreciably affects the chapters that are of most concern to the economist: taxation and finance; commerce, industry, labor and communications; state financial management; economic and social functions. The third edition (1921) was issued when a number of important changes were on the verge of accomplishment; the national budget system was not then enacted, and the transportation act had just been passed. It is now possible to place the emphasis upon substantive laws rather than upon schemes for reform. There are now brief statements of the economic problems involved in each branch of legislation. Then follows description of the statutes, accompanied at times with the briefest possible indication of the historical development of existing provisions of the law. Of necessity all statements are extremely compressed, but, considering the limitations of space, the work is astonishingly well done.

The passages on finance and taxation are the best in these chapters of economic interest; the pages on banking are much less felicitous in statement and conception. These differences, however, are small, and the dominant impression is of evenness of judgment.

A. P. USHER.

BEER, M. *Social struggles in the Middle Ages.* Trans. by H. J. STENNING. (London: Leonard-Parsons. 1924. 6s.)

BISHOP, A. L. and KELLER, A. G. *Industry and trade; historical and descriptive account of their development in the United States.* (Boston: Ginn & Co. 1923. Pp. vi, 426.)

BOTSFORD, J. B. *English society in the eighteenth century, as influenced from overseas.* (New York: Macmillan. 1924. Pp. vii, 388. \$2.50.)

This excellent study of the reactions between economic development and social conditions is based upon the thesis that the most important social and political changes in the eighteenth century were the outcome of the new commercial contacts with the orient and the new world. The full significance of the discoveries and new trade routes was not felt in England until after 1700, because the volume of trade with these new regions was small throughout the seventeenth century.

The introduction of new products is sketched with skill and discrimination. The stages in the introduction of the new textile fibers and fabrics are well known, and nothing new can be added. The description of the introduction of the new foods and drugs is fresh, and in many respects makes substantial addition to our knowledge. Botanical treatises and cook books have been used to good purpose in establishing the various stages in the development of demand. The citrus fruits, sugar, coffee, tea, cocoa are studied with more than ordinary regard to the difficulty of describing the establishment of new habits of consumption. The influence of Chinese styles upon furniture, porcelains, and landscape architecture is admirably brought out, and, though the material will scarcely be unfamiliar to the connoisseur, there is much that will be fresh to the economist and historian. Changes in manners are described, though not at great length.

The success of the author in opening a fruitful field is perhaps to be measured by the creation of a desire for a more exhaustive work along these lines. The present volume lacks the tone of finality and completeness: one feels certain that the materials still contain much that is interesting. It is, however, no small achievement to make the history of the eighteenth century seem absorbingly interesting, and the book contributes much fresh interest to this reputedly dull period.

There are a few minor errors in the text, but it would be invidious to call attention to them in detail.

ABBOTT PAYSON USHER.

BRACQ, J. C. *The evolution of French Canada.* (New York: Macmillan. 1924. Pp. viii, 467. \$2.50.)

The book furnishes an impressive index of the intensity of the antipathy that has existed in Canada between the French and the English, but to the outsider it seems scarcely worth while still to cherish the resentment that appears constantly in the present text. The description of development, whether political or economic, is so disconnected that it affords little insight into the actual course of history. A wide range of material has been used, though not at all times with sound judgment.

A. P. U.

BROWNE, W. R. *Altgeld of Illinois.* (New York: Huebsch. 1924. Pp. 352. \$3.)

COATE, M. *Social life in Stuart England.* (New York: Appleton. 1924.)

DEXTER, E. A. *Colonial women of affairs; a study of women in business*

and the professions in America before 1776. (Boston: Houghton Mifflin. 1924. Pp. 203. \$5.)

EPSTEIN, M., editor. *The annual register; a review of public events at home and abroad for the year 1923.* (New York: Longmans. 1924. \$11.50.)

FAULKNER, H. U. *American economic history.* (New York: Harper & Bros. 1924. Pp. 721. \$4.)

FREUND, H. *Russlands Friedens- und Handelsverträge, 1918-1923.* (Leipzig: Teubner. 1924. Pp. vii, 196. 7 M.)

An account of all the agreements which Russia entered into with the other powers with reference to peace and to trade from 1918 to 1923.

GANGEMI, L. *La politica economica e finanziaria del governo fascista nel periodo dei pieni poteri.* (Bologna: Zanichelli. Pp. 507. L40.)

An apology for the régime of Mussolini, in the form of a review of his economic and financial policy since he came into "absolute power" in November, 1922. The introduction recounts how he opposed alike the communistic spirit which had developed in the immediately preceding years and the profiteering of the capitalists which had been rampant during the war. The author endeavors to show how the economic and financial prospects of the country have been improved, while the tendency to state socialism has been curbed, quoting Mussolini's words: "The state must abstain from certain economic functions of monopolistic character of which it is incapable." DeStefani, the finance minister of the Fascisti has helped the agricultural population by alleviating the taxation on land, by the reform of the laws relating to the improvements made by the tenants, and by providing agricultural stations for experiment and instruction.

Among the financial measures for the result of which success is claimed are the abolition of succession duties within the limits of the family, and the reduction of them outside of these limits; the grant of public moneys for the relief of the devastated regions of Venetia, arranged for on the basis of repayment in twenty-five years; the assistance given to the agricultural provinces, Calabria and Apulia. In spite of the expenditure for these purposes there has been improvement in the balance of the year's finances. A graph is given showing the course of taxes, of total receipts, and of total expenditure from 1914 to 1923. From other tables it appears that, although the budget is not yet balanced, there is a distinct improvement since 1922; these tables show an increase of exports and a decrease of unemployment. It is maintained by the author that the taxation of the people has been reduced to about what it was before the war; that is, twenty per cent of the income. The basis of many of the statements is founded on Mortara's book, *Prospettive Economiche.*

R. R. WHITEHEAD.

GOMPERS, S. *Seventy years of life and labor.* Two vols. (New York: Dutton. 1924.)

HASKIN, F. J. *The American government.* Revised. (Philadelphia: Lippincott. 1924. Pp. 484. \$2.)

- HAUSER, H. *La nouvelle orientation économique*. (Paris: Bibliothèque Générale des Sciences Sociales. 1924. 10 fr.)
- KAEMPFERT, W., editor. *A popular history of American invention*. Two vols. (New York: Scribner. 1924. \$10.)
- LAUER, C. N. *Engineering in American industry—the development of industry in these United States during one hundred and twenty years*. (New York: McGraw-Hill. 1924. Pp. 96. \$2.50.)
- LEVERMORE, C. H. *Fourth year book of the League of Nations and chronicle of related international events, 1923*. (Brooklyn, N. Y.: Brooklyn Daily Eagle. 1924. Pp. 428.)
- LEWERY, L. J. *Finance and industry in Soviet Russia*. Supp. to Commerce Reports, Trade information bull. 244. (Washington: Supt. Docs. 1924. Pp. 21.)
- LEWIS, H. T. *The basic industries of the Pacific Northwest*. (Seattle: Press of Lowman & Hanford Co. 1923. Pp. 174.)
- MITCHELL, B. *Frederick Law Olmstead: a critic of the Old South*. Johns Hopkins University studies in historical and political science, series XLII, no. 2. (Baltimore: Johns Hopkins Press. 1924.)
- MOULTON, H. G. *The reparation plan*. The Institute of Economics, Investigations in international economic reconstruction. (New York: McGraw-Hill Book Co. 1924. Pp. x, 325. \$2.50.)

Professor Moulton, assisted by the Institute of Economics staff, presents a critical interpretation of the so-called "Dawes Plan." Moreover, there is reprinted in the appendix the full reports of both committees of experts and there is supplied as well a separate index of the reports and of the text. Not only does the book thus make possible an intensive study of the reparation plan, but it serves also as a work of ready reference.

The six chapters of the text make up somewhat less than half the book. Chapter 1, dealing with the economic basis of the reparation plan, is perhaps the most significant chapter of the volume. The experts' proposals with respect to stabilization of the currency, to the balancing of the budget and to the transfer of reparation payments are all subjected to critical examination. Much of the material here recalls Moulton and McGuire's earlier work, *Germany's Capacity to Pay*. Some of the more important matters brought out in this chapter may be summarized as follows: The experts stress unduly the helpful effect of the inflationary extinction of the domestic debt on Germany's ability to pay reparations. Budgetary improvement depends upon the successful establishment of the proposed bank, upon the complete restoration to Germany of the control of her economic life and upon the actual revival of prosperity. The experts do not accuse Germany of undertaxation nor of deliberate inflation of the currency. The final measure of Germany's ability to pay is her export surplus and she is relieved of responsibility in connection with the actual transfer of funds to the Allies. The schedule of payments provided exceeds the probable export surplus but expert administration will have to be relied on to adjust payments to the possibilities of transfer.

Chapter 2, dealing with the administrative and control features, needs no comment. In chapter 3 there is some criticism of the experts' cal-



ulation of Germany's foreign assets. Professor Moulton regards the estimates as too high. In chapter 4 our author finds some of the experts' budget calculations faulty. In some cases he finds that "the analysis is confused and even self-contradictory." The estimated railway revenues he finds are open to serious question, and he doubts the wisdom of the experts' insistence that the German railways be run on a commercial basis rather than in the interest of the industries of the country as a whole. He also finds that some of the revenue estimates "overlap," due to the tendency of the experts to consider the sources as independent rather than as mutually affecting parts of a whole. In chapter 5 our author discusses the proposals for controlling the transfer of sums from Germany to the Allies. He believes that the experts' solution of this problem is satisfactory, but the final outcome depends, of course, upon the development of German foreign trade. The theme of the last chapter is the unsettled aspects of the reparation problem. These aspects comprise the fixing of the total reparation payments, the determination of the amount already paid by Germany, the evacuation of the Ruhr, and the inter-allied debts. Furthermore, there is the question as to how completely the experts' plan invalidates conflicting control provisions in the Treaty of Versailles itself.

On the whole Professor Moulton is sympathetic toward and hopeful of the experts' work. Yet he recognizes that some of their assumptions are subject to grave doubt and that final success still hangs precariously in the balance. All depends upon the spirit in which the plan is administered and upon the speedy and satisfactory adjustment of the remaining unsettled aspects of the reparation problem.

E. E. AGGER.

NEWBIGIN, M. I. *Commercial geography*. (London: Williams & Norgate. 1924. Pp. 256.)

NICHOLS, J. P. *Alaska*. (Cleveland: The Arthur H. Clark Co. 1924. Pp. 456. \$6.)

This book bears beneath its title the statement: "A history of its administration, exploitation and industrial development during its first half century under the rule of the United States." Presumably it was not the intention of the author to convey the idea that the volume contained an account of the industrial progress of Alaska because there is very little in the volume that relates to any phase of industry—at least no systematic treatment of the subject. However, Dr. Nichols has treated political matters with a thoroughness that leaves little to be desired. She gives a brief account of Alaska under military occupation. She studies the organic act from the point of view of pioneers and administrators, traces the struggles of the Alaskans to secure a measure of self-government, and discusses the railroad controversy. Apparently all the sources of history bearing on Alaska have been searched for material; the history has been presented in a way which always arouses interest and sometimes stirs indignation.

Dr. Nichols is of the opinion that the people of Alaska have been not only struggling for political recognition but for the opportunity of economic development. The problem of the future with reference to Alaska is to secure a method of development which would at the same time conserve the resources of the territory and keep them free from

monopolization. Thus, says the author, "The fisheries must be conserved; ocean transport must become equitable; and the departmental red tape that has hindered and bound Alaskan development must be untangled and cut away, in order that the government may deal with the northerners efficiently and economically."

I. LIPPINCOTT.

PARKER, W. B. *The life and public services of Justin Smith Morrill*. (Boston: Houghton Mifflin. 1924. Pp. viii, 378.)

PLATT, C. C. *What La Follette's state is doing; some battles waged for more freedom*. (Batavia, N. Y.: Batavia Times Press. 1924. Pp. 301. \$2.50.)

REDFIELD, W. C. *With Congress and Cabinet*. (Garden City: Doubleday. 1924. Pp. xi, 307. \$3.)

Primarily this volume is a first-hand contribution to the political history of the United States in the last twenty years. It also is of special interest to students of commercial policy, in describing the growth of the new Department of Commerce. The author, independent in his judgments, frankly criticizes the "meanesses of Uncle Sam," in the lack of congressional support to the various activities conducted by the Department of Commerce. Chapter 7 on "Departmental life," and chapters 10 and 11 on "A peace department in war time," vividly describe the work of this governmental branch.

RIVERS, W. H. *Social organization*. Edited by W. J. PERRY. (New York: Knopf. 1924. Pp. 226. \$4.)

RUSSEL, R. R. *Economic aspects of southern sectionalism, 1840-1861*. Two vols. (Urbana, Ill.: Univ. of Illinois. 1924. Pp. 325. \$1.)

SHULTZ, W. J. *The humane movement in the United States, 1910-1922*. Columbia University studies in history, economics and public law, vol. CXIII, no. 1. (New York: Longmans, Green. 1924. Pp. 319.)

SOLMSEN, G. *Inhalt und Tragweite der von den Sachverständigen der Reparations-Kommission erstatteten Gutachten*. (Berlin: Walter de Gruyter & Co. 1924. Pp. 66. 2.50 M.)

A review, exceedingly well written, from the German standpoint, of the report of the experts of the Reparation Commission, based partly on Moulton and McGuire's book.

SPANN, O. *Bibliographie der Wirtschafts- und Sozialgeschichte des Weltkrieges*. (Vienna: Hölder-Pichler-Tempsky. 1923. Pp. xv, 167.)

STRONG, A. L. *The first time in history; two years of Russia's new life*. Preface by L. TROTSKY. (New York: Boni & Liveright. 1924. Pp. 249.)

TAWNEY, R. H. and POWER, E. D., editors. *Tudor economic documents, being select documents illustrating the economic and social history of Tudor England*. Three vols. Vol. I, *Agriculture and industry*. (New York: Longmans. 1924. Pp. 396. \$5.)

WARE, N. *The industrial worker, 1840-60: the reaction of American industrial society to the advance of the Industrial Revolution*. (Boston: Houghton, Mifflin. 1924. Pp. xxi, 249. \$2.50.)

Hitherto, historians of the labor movement in the United States before

1860 have stressed the work of the reformers. Professor Ware's interest has been in the worker himself. Making use of a great variety of source material, the author studies the conditions of the laborer during the two decades before 1860. He comes to the conclusion that industrial workers as a class were rapidly losing ground. It is true, that certain skilled groups were able to obtain advances during the years from 1850 to 1856, but as a rule "the share of the worker in the general prosperity was not commensurate with that of the other factors in production." In fact, "no important group of workers made any advance beyond the increased cost of living until the effect of the gold discoveries was felt from 1850 to 1854."

The book begins with a brief survey on industrial conditions in 1840. Then follow chapters on "the homes of the poor," and "the spirit of the age"—in which the author presents the underlying purpose of the labor struggles of the time. Chapter 4 contains a rather lengthy study of the "degradation of the worker." Herein is a discussion of labor conditions in a number of trades. Chapters 5 and 6 are devoted to a study of the "factory controversy," and "dangers of paternalism." The author points out, in this connection, that the factory owners became conscious that something was wrong with the factory system, and set about to learn where the trouble lay, and in some cases sought remedies. In subsequent chapters, Professor Ware studies the development of the ten-hour movement, coöperation, and the reformers. Apparently, he has little sympathy with the idealistic reformers of the period. "The one thing the reformer never understood," said the author, "was that it takes all sorts of people to make a world. Brook Farm succeeded so long as it regarded itself as one sort of person trying to be happy and succeeding reasonably well. It failed when it became *Fourierist* and set out on the assumption that all people would be equally happy under similar arrangements." Since the workers and their advocates were blazing new trails, their efforts were largely experimental, and their philosophy largely idealistic. With the failure of their efforts based on such premises, the worker resorted to the "realistic approach," and met the new order on its own grounds. "The labor movement of the fifties sought increasingly trade gains, in wages and hours, for special classes of workers. What was left of the moral force of the reform agitations was swept into the slavery struggle."

I. LIPPINCOTT.

WEBER, M. *Gesammelte Aufsätze zur Sozial- und Wirtschaftsgeschichte.* (Tübingen: Mohr. 1924. Pp. iv, 556.)

A collection of essays by the learned author, written between 1893 and 1909. The largest space is given to the social and economic relations of the ancient world from Mesopotamia to the Roman Empire, with special reference to the agrarian conditions. Other essays are on the forms of business undertakings in the Middle Ages, and the relation of them to Roman law; on the decadence of the Roman Empire and the social causes which contributed to it; on the conditions of land and labor in the East Elb and certain other districts of Germany; and on the nature of German "freedom" in the days of Caesar and Tacitus.

R. R. W.

WERTHEIMER, M. S. *The Pan-German League, 1890-1914.* Columbia

University studies in history, economics and public law, vol. CXII, no. 2 (New York: Longmans. 1924. Pp. 256.)

WHITBECK, R. H. and FINCH, V. C. *Economic geography*. (New York: McGraw-Hill Book Co. 1924. Pp. x, 558. \$3.50.)

This substantial volume, embracing thirty-six chapters of text with special references at the end of the respective chapters, as well as several pages of special references and statistical tables at the close of the book, is designed for students of collegiate grade. Its primary function would seem to be that of a textbook in a course in economic geography; for this purpose it is well adapted.

An introductory chapter sets forth concisely, though clearly, the authors' conceptions of the field of modern geography, of which economic geography is one of the more important subdivisions. The influence of natural environment upon human activities confronts the reader. Geographers have long been stressing this point and not without effect; it has now become a matter of more or less common observation and acceptance that the better the adjustment of peoples to their environment in attempting to make a living the greater are their chances of success and advancement.

Part I covers the United States and Canada with respect to industry and commerce as affected by conditions of geographical environment. Part II considers from the same viewpoint the world outside the United States and Canada. In the first part, the treatment is worked out through a consideration of the commodities of commerce in succession rather than by adopting the region as the unit of study. Those commodities whose production and distribution are significant in industry and trade and in which the United States is an outstanding factor in production are here considered. Those of which the United States and Canada are relatively small producers, or entirely deficient, are, in general, considered in the countries or groups of countries which constitute the subject of the chapters listed in part II. Each receives detailed consideration in the particular country where it is a relatively important resource. The regional method of treatment which has come into favor especially among certain specialists in geographical research—to which type of work it is probably better adapted than any other—has not been adopted in this book. This is a matter of considerable significance in view of the fact that the authors are outstanding authorities in the field of geography. The attitude of the authors to the regional method is well set forth in the preface in speaking of part II when they say: "Among geographers there is some disposition to favor the division of the continents into *natural* or *geographical* regions and to make these the units of treatment. Such a plan might treat, for example, the North European Plain, extending from northern France, through Belgium, the Netherlands, Prussia, Denmark, and southern Sweden, as a single geographical unit, largely disregarding national boundaries. For the specialist in geography such a plan has certain attractions and advantages. Such natural regions, however, are not the ones with which the commercial world in practice has to deal. The reading and traveling public, the business world, the international news, statistical reports, and international relations generally, take account of countries or nations as units. So universally do people think and speak and write of foreign

lands in terms of political units—France, Italy, Japan—that they seem unquestionably to form the appropriate regional units of study in the economic geography of foreign lands.”

The volume contains a goodly number of carefully chosen maps, diagrams, and illustrations.

AVARD L. BISHOP.

YVES-GUYOT. *Politique parlementaire et politique atavique*. (Paris: Alcan. 1924. Pp. xv, 426. 12.50 fr.)

Interesting chiefly as the vehement protest of this old warrior in the cause of democracy against the tendencies and pretensions of those who consciously or unconsciously are the mainstays of what he calls “atavistic policy.” The author was the editor of the *Rappel* in the seventies, was one of those who helped to rid France of Boulanger, and later fought for justice during the Dreyfus episode. From the fullness of his experience of public life in France he criticizes alike the reactionaries and the bolshevists.

R. R. W.

*America and the post-war European situation*. *The Annals*, vol. CXIV, no. 203. (Philadelphia: Am. Academy of Political and Social Science. 1924. Pp. 171. \$2.)

*American Jewish year book, 5683, September 23, 1922, to September 10, 1923*. Vol. 24. Edited by H. SCHNEIDERMAN. (Philadelphia: Jewish Pub. Soc. of America. 1924. Pp. ix, 570.)

*Conference on the economic aspects of international affairs*. Held under the joint auspices of the Chicago Council on Foreign Relations and the Illinois League of Women Voters, April, 1924. (Chicago: Council on Foreign Relations. 1924. Pp. 109.)

*Economic and financial conditions of Germany*. Report, revised to April, 1924, by the Commercial Secretary to H. M. Embassy, Berlin. (London: H. M. Stationery Office. 1924. 5s.)

*German white book, concerning the responsibility of the authors of the war*. Translated by the Carnegie Endowment for International Peace, Division of International Law. (New York: Oxford Univ. Press. 1924. Pp. xv, 178. \$2.)

*Haiti: an economic survey*. Supp. to Commerce Reports, Trade inf. bull. 264. (Washington: Supt. Docs. 1924. Pp. 25.)

*Industrial-economic conditions in the United States, July 1924*. Bull. no. 14. (New York: National Industrial Conference Board. 1924. Pp. 30.)

For the special information of board members and financial subscribers.

*The natural resources of South Dakota*. South Dakota geological and natural history survey, circ. 16. (Vermillion, S. D.: Univ. of South Dakota. 1924. Pp. 28)

*The new international year book; a compendium of the world's progress for the year 1923*. Edited by F. M. COLBY. (New York: Dodd, Mead & Co. 1924. Pp. 815.)

*Outbreak of the World War.* German documents collected by KARL KAUTSKY and edited by MAX MONTGELAS and WALTHER SCHÜCKING. Translated by the Carnegie Endowment for International Peace, Division of International Law. (New York: Oxford Univ. Press. 1924. Pp. vi, 688. \$4.)

*Preliminary history of the armistice.* By the Carnegie Endowment for International Peace, Division of International Law. (New York: Oxford Univ. Press. 1924. Pp. v, 163. \$2.)

*Situation économique de la Belgique. Second semestre 1923.* Supp. to Bulletin Commercial. (Brussels: Ministère des Affaires Étrangères. 1924. Pp. 141.)

*The twenty-third financial and economic annual of Japan.* 1923. By the Department of Finance. (Tokyo: Gov. Prtg. Office. 1923. Pp. 214.)

## Agriculture, Mining, Forestry and Fisheries

### NEW BOOKS

AGRESTI, O. R. *David Lubin: a study in practical idealism.* (Boston: Little, Brown. 1922. Pp. vii, 372.)

ALBRECHT, G. *Zur Krisis der Landwirtschaft.* (Jena: Fischer. 1924. Pp. v, 63.)

APP, F. and WOODWARD, C. R. *The farmer and his farm.* Introduction by K. L. BUTTERFIELD. (New York: Harcourt, Brace & Co. 1924. Pp. xvi, 338.)

"This volume is designed as a popular treatise on farm management," rather than as a technical textbook. Among the topics discussed are farm life, acquiring a farm, size of the farm business, farm capital and credit, renting a farm, keeping of farm accounts, prices and marketing of farm products, and farm labor. Frequent reference is made to underlying economic principles, but the authors refrain from discussing at length the difficulties under which agriculture is now laboring.

BIZZELL, W. B. *Rural Texas.* Rural state and province series, L. H. BAILEY, editor. (New York: Macmillan. 1924. Pp. xvi, 477. \$2.50.)

Dr. Bizzell's book covers practically the whole range of agricultural interests of Texas, including much of immediate interest to the student of history. The author has covered his field admirably. Beginning with a rather extended discussion of the general physical, climatic and soil conditions of the state, he carries his description through natural resources, including mineral, forest and soil—through agricultural industries, including the plants and crops of Texas, animal industries, and transportation and rural communication. Questions of marketing, of agricultural credit, of farm organization, and of rural education come in for a share of the discussion. Looking to the future, the author maintains that "coördination of existing agricultural agencies is an imperative necessity." The administrative work authorized by the legislature through numerous acts is far too widely diffused to be effective. Thus there has resulted a "duplication of effort, conflict of interests, and waste of public funds." Dr. Bizzell is of the opinion that the creation of a State Board of Agriculture would remedy this evil.

I. LIPPINCOTT.



- BENEDICT, R. and WORSHAM, C. G. *A handbook on South Dakota farm production costs and crop statistics.* (Pierre, S. D.: State Dept. of Agri. 1924. Pp. 75.)
- CHRISTENSEN, C. L. *Agricultural coöperation in Denmark.* U. S. Dept. of Agri. bull. 1266. (Washington: Supt. Docs. 1924. 15c.)
- CLEMEN, R. A. *What's the matter with rubber?* (Chicago: Illinois Merchants Trust Co. 1924. Pp. 15.)
- COUMBE, A. T. *Petroleum in Japan.* Supp. to Commerce Reports, Trade inf. bull. 245. (Washington: Supt. Docs. 1924. Pp. 27.)
- CRAWFORD, M. D. C. *The heritage of cotton.* (New York: Putnam's. 1924.)
- DIXON, H. M. *Farm management extension: Early development and status in 1922.* Dept. of Agriculture, circ. 302. (Washington: Supt. Docs. 1924. Pp. 27.)
- GANGEMI, L. *Il credito agrario di stato.* (Bologna: Librerie Italiane Riunite. 1924. Pp. xii, 102.)

An account of the assistance given by the state to agriculture in Italy, with especial reference to the law of 1923, according to which under the direction of a central institution mortgages at a low rate of interest are provided by the state, to run for not more than thirty years. The development of agricultural stations for experiment and instruction has been inspired by what has been done in the United States.

R. R. W.

- HARDING, R. *Cotton in Australia; the possibilities and the limitations of Australia as a cotton growing country.* (New York: Longmans. 1924. Pp. 288. \$4.20.)
- JEFFREY, E. C. *Coal and civilization.* (New York: Macmillan. 1924. \$2.)
- KATZ, F. J. and CLARK, M. B., compilers. *Mineral resources of the United States in 1923 (preliminary summary).* U. S. Geological Survey, Dept. of the Interior. (Washington: Supt. Docs. 1924. Pp. 134.)
- L'ESPAGNOL DE LA TRAMERYE, P. *The world-struggle for oil.* Trans. from the French by C. L. LEESE. (New York: Knopf. 1924. Pp. 259.)
- MACLAREN, W. A. *Rubber, tea, and cacao, with special sections on coffee, spices, and tobacco.* (London: Benn. 1924. Pp. 334.)
- MAYNARD, H. H. *Marketing northwestern apples.* (New York: Ronald. 1923. Pp. vii, 190. \$2.50.)

The complicated agglomeration of processes and agencies by which northwestern apples reach their nation-wide markets is described in all its minutiae. Apple production in Washington is given in detail as typical. The author predicts further increase in the eastern sale of northwestern apples; the disadvantage of distance is offset by the color of the fruit and reliability of crops due to climate, the use of box packing, and the concentration of western growers on that one crop.

Growers dispose of their apples in one of three ways—through cash buyers, consignment houses, or coöperative associations of either the

decentralized or centralized type. "The buyer in rare cases is the consumer or the agent of the consumer, but in general several middlemen appear" (p. 128), such as the apple broker, the commission house, fruit wholesalers, small jobbers, sale by auction, and retailers. The existence of all these the author considers justified. He is content to describe existing conditions and developments with little criticism. He recommends improvements in storage facilities, further development of central packing, more refrigerator cars, use of water transportation routes where advantageous, increased use of the banks for credit, and a system of warehouse receipts. He considers the buying and selling of apple futures "rather a radical suggestion," but one which "has some things to commend it, in that the.....risk would be passed to eastern speculators" (pp. 175-76).

MEYER, L. *Die deutsche Landwirtschaft während der Inflation und zu Beginn der Deflation.* (Tübingen: Mohr. 1924.)

OTIS, W. A. *The petroleum industry of Russia.* Supp. to Commerce Reports, Trade inf. bull. 263. (Washington: Supt. Docs. 1924. Pp. 38.)

PARSONS, F. W. *Petroleum and prosperity.* (New York: Publishers Printing Co., 207 W. 25th St. 1924. Pp. 25.)

PRESCOTT, R. B. *Analysis and forecast of the world's crude rubber consumption in comparison with production and stocks, annually to 1930.* (New York: Rubber Assoc. of America. 1924. Pp. 26.)

REINHOLT, O. H. *Oildom; its treasures and tragedies.* Part one—Special for motorists. (Washington: Author, 601 Star Bldg. 1924. Pp. 128.)

ROBINSON, A. H. A. *The mineral industries of Canada.* (Ottawa: Dept. of Mines. 1924. Pp. 138.)

SHURICK, A. T. *The coal industry.* (Boston: Little, Brown. 1924. Pp. 403. \$3.50.)

SPILLMAN, W. J. *Farm management.* (New York: Orange Judd Pub. Co. 1923. Pp. 474.)

TOMPKINS, N. C. *The scale and advertising of dairy products; a merchandising guide for ice cream makers, creameries, milk dealers, cheese makers, and dairy farmers.* (Milwaukee, Wis.: Olsen Publishing Co. 1924. Pp. 127.)

WHITBECK, R. H. *Industrial geography, production, manufacture, commerce.* (New York: American Book Company. 1924. Pp. 608.)

*Agricultural Tribunal of Investigation, final report.* (London: H. M. Stationery Office. 1924. 5s.)

*Agriculture statistics for England and Wales, 1923.* Part III, Prices and supplies. (London: H. M. Stationery Office. 1924. 1s.)

*The Farm Journal year book statistics of farms, farm property, farm production, incomes, manufactures, etc.* (Philadelphia: Wilmer Atkinson Co. 1924.)

*Die Krisis in der Landwirtschaft und Mittel zu ihrer Behebung.* (Berlin: P. Parey. 1924. Pp. 110.)

*Mineral industry of the British Empire and foreign countries: Potash minerals, statistics for 1919-1921. Statistical summary of production, imports, and exports, 1920-1922.* (London: H. M. Stationery Office. 1924. 2s. 6d; 8s.)

*World survey of the zinc industry.* Supp. to Commerce Reports, Trade inf. bull. 246. (Washington: Supt. Docs. 1924. Pp. 60.)

## Manufacturing Industries

### NEW BOOKS

BELLOWS, H. A. *A short history of flour milling.* Reprinted, with additions, from the anniversary number of the *Northwestern Miller*. (Minneapolis, Minn.: Miller Publishing Co. 1924. Pp. 47.)

CLEMEN, R. A. *Is leather reviving?* (Chicago: Illinois Merchants Trust Co. 1924. Pp. 23.)

DELAHANTY, T. W. *The German dyestuffs industry.* Dept. of Commerce, Misc. series, 126. (Washington: Supt. Docs. 1924. 10c.)

SNIFFIN, P. L. *A century of silversmithing; a brief account of the interesting development of silverware manufacture as reflected in the growth of an organization that now celebrates its centenary in this field.* (Taunton, Mass.: Reed & Barton. 1924. Pp. 45.)

*Census of manufactures, 1921; summary for the United States by industries, geographic divisions and states.* (Washington: Supt. Docs. 1924. 15c.)

*Central electric stations in Canada. Census of industry, 1922.* (Ottawa, Can.: Dominion Bureau of Statistics. 1924. Pp. 30. 25c.)

*Facts and figures of the automobile industry.* 1924 edition. (New York: National Automobile Chamber of Commerce, 366 Madison Ave. 1924. Pp. 96.)

## Transportation and Communication

### NEW BOOKS

BOYKIN, M. *Plan for projecting an Atlantic coastal trunk line railroad through Norfolk.* (Norfolk, Va.: Author, 710 Boissevain Ave. 1924. Pp. 16.)

BUDD, R. and ELLIOTT, H. *Great Northern Railway Company; Northern Pacific Railway Company. A review of their operations in the period 1916-1923 and a discussion of their most difficult problems, with comments on current conditions.* (New York: Wood, Struthers & Co. 1924. Pp. 131.)

DAVIES, A. E. *British railways, 1825-1924. Why nationalisation is inevitable.* (London: Railway Nationalisation Society. 1924. 6d.)

DAVIS, G. H. *Taxicab, bus and street railway coördination.* (New York: Ford, Bacon & Davis, 115 Broadway. 1924. Pp. 12.)

JAGTIANI, H. M. *The role of the state in the provision of railways.* (London: P. S. King & Son. 1924. Pp. xi, 146. 8s. 6d.)

JONES, E. *Principles of railway transportation.* (New York: Macmillan. 1924. Pp. ix, 607.)

KENNEDY, T. H. *An introduction to the economics of air transportation.* (New York: Macmillan. 1924. \$1.75.)

KIRBY, R. S., editor. *Proceedings of a conference on motor vehicle traffic.* (New Haven: Yale Univ. Press. 1924. Pp. 179.)

KRAMER, R. L. *The history of export and import railroad rates and their effect upon the foreign trade of the United States.* A thesis. (Philadelphia: Univ. of Pa. 1923. Pp. 120.)

McKAY, J. G. *Motor truck movement is largely non-competitive in New England.* (New York: National Automobile Chamber of Commerce. 1924. Pp. 8.)

MILLER, S. L. *Railway transportation: principles and point of view.* (Chicago: Shaw. 1924. Pp. xxvii, 905. \$4.)

PARMELEE, M. *Blockade and sea power: the blockade, 1914-1919, and its significance for a world state.* (New York: Thomas Y. Crowell Co. 1924. Pp. x, 449. \$3.)

RICH, W. E. *The history of the United States Post Office to the year 1829.* Harvard economic studies, vol. XXVII. (Cambridge: Harvard Univ. Press. 1924. Pp. 190. \$2.)

TROTTMAN, N. *History of the Union Pacific: a financial and economic survey.* (New York: The Ronald Press Co. 1923. Pp. iv, 412. \$5.)

During the last few years students of American railway history have filled many important gaps in our knowledge of the inception and growth of the railway systems of the country. Mr. Trottman's volume is another notable contribution. This volume, in connection with Professor Daggett's *History of the Southern Pacific*, published in 1922, supplies the necessary information about the early transcontinental roads.

Mr. Trottman's volume begins with a study of the Pacific Railroad acts. Then follows an account of the construction contracts, work of construction, and congressional scandals. The Credit Mobilier episode is discussed fully. In this connection the author presents a study of the various contracts and shows the cost of construction to contractors and to railroads. The author implies that the cost would have been high whether the road was constructed by contractors or by the government. There was no certainty that government agents would have been any less corrupt than were the companies which built the lines. He points out that the roads were built at a time when "corruption permeated the national civil service, when fortunes were made by corrupt army contractors, when 'carpet-baggers' flourished, when frauds in the Indian and in the postal service were just beginning to reach enormous proportions, when the judiciary of the great city of New York, the financial center of the nation, was at the service of men like Fisk and Tweed, and when dishonesty affected many branches of the federal government." Unfortunately, the taint of these early railway scandals continues to influence public opinion to the present day.

Subsequent chapters of the book are devoted to litigation over the interest question, the Kansas Pacific consolidation, receivership and reorganization, and the Harriman system. The volume covers the history

of the road from "its birth during the Civil War, in 1862, to the annual report of the directors for the fiscal year ending December 31, 1921." The last chapter contains a study of present railway problems, including the rate question, the matter of consolidation, and government ownership of railroads. The author does not attempt to supply his solution of these problems, but merely outlines the issues.

I. LIPPINCOTT.

TURNER, D. L. *Suburban transit problem. Report of the consulting engineer of the Transit Commission, recommending a Metropolitan Transit System to serve New York City and its environs.* (New York: Transit Commission, 49 Lafayette St. 1924. Pp. 69.)

WILLIAMS, W. H. *Economical operation of American railways.* (Washington: Railway Accounting Officers Assoc., Woodward Bldg. 1923. Pp. 14.)

*Railways: capital, traffic, receipts and working expenditures, etc. Returns for 1923.* (London: H. M. Stationery Office. 1924. 21s.)

*Shipping: annual statement of navigation and shipping of the United Kingdom for 1922, with comparative tables for the years 1918 to 1922.* (London: H. M. Stationery Office. 1924. 20s.)

*Interstate Commerce Commission report. Decisions, July-December, 1923 (vol. 82); August-Nov., 1923 (vol. 83).* (Washington: Supt. Docs. 1924. \$2 each.)

*Text of the thirty-sixth annual report on the statistics of railways in the United States, for 1922.* (Washington: Supt. Docs. 1924. 20c.)

## Trade, Commerce, and Commercial Crises

### NEW BOOKS

CADDICK, D. W. *The outline of British trade: a textbook for business men and students of commerce and economics.* (London: G. G. Harrap & Co., Ltd. 1924. 3s. 6d.)

CORNFORD, C. *A century of sea trading.* (London: A. & C. Black, Ltd., 4, Soho Sq. 1924.)

GRIFFIN, C. E. *Principles of foreign trade.* (New York: Macmillan. 1924. Pp. ix, 348. \$3.)

The inflated conception of the demand for foreign training imposed upon a too-credulous academic world by business men, whose ideas as to the outlook for men receiving such training were much more definite when urging the establishment of training courses than later when trained men tried to secure jobs, has had as one result a series of elementary books upon foreign trade. Another of these is now at hand, this time from the pen of Professor C. E. Griffin, of the University of Michigan. Its general aim does not differ essentially from several previous books in the field, though in general it is more successful in selection of material and arrangement. However, the attempt to cover in a small volume, the broad field of international trade from both theoretical and descriptive points of view, cannot be more than superficial.

Professor Griffin devotes the first six chapters to orthodox theories of international trade and exchange presented in orthodox manner. The analysis of American foreign trade is followed by a brief description of marketing functions (ch. 7 and 8), channels of foreign trade (ch. 9), ocean transportation (ch. 10-13), and financing (ch. 13-16); these, with the final chapters upon the risk element and government interference, indicate the scope of the work. The requirements for a short outline for elementary general courses in foreign trade will be suitably fulfilled by Mr. Griffin's work.

HARRY R. TOSDAL.

HAMMATT, T. D. *Marketing Canadian wheat*. Supp. to Commerce Reports, Trade inf. bull. 251. (Washington: Supt. Docs. 1924. Pp. 123.)

LAHEE, A. W. *Our competitors and markets: an introduction to foreign trade*. (New York: Holt. 1924. Pp. xix, 477. Library, \$5; educational, \$4.)

LATIF, S. A. *Economic aspect of the Indian rice export trade*. (Calcutta: Gupta. 1923. Pp. 83.)

McCLURE, W. *A new American commercial policy, as evidenced by section 317 of the Tariff act of 1922*. Columbia University studies in history, economics, and public law, vol. CXIV, no. 2. (New York: Longmans. 1924. Pp. 397. \$4.)

NAHOUM, J. *The key to national prosperity*. (New York: E. P. Dutton & Co. 1923. Pp. xiii, 381. \$6.)

*The Key to National Prosperity* is intended to cover about the same ground as Dr. Litman's book, noted above. Since the author is a business man, the contribution which can logically be expected from him is either the treatment of old material from a fresh point of view or the inclusion of new material which would not ordinarily find its way into print. Unfortunately, from neither point of view is there justification for publication of this volume. The book consists in no small measure of extracts from various sources—copies of speeches, documents, and the like—all of which are included in the text. There has been little discrimination in the selection of material. In the study of foreign trade organization half a page is devoted to export commission houses, 15 lines to the organization of the export department, about 10 pages to traveling salesmen, and something over two pages to the export manager. The treatment of export combinations, to cite another instance, shows that Mr. Nahoum swallowed whole the ideas concerning German cartels which prevailed before the war. In short, it would have been better if he had attempted to digest his material and to rely more upon his own ability and common sense and less upon scissors and paste-pot.

H. R. T.

SCHLUTER, W. C. *The pre-war business cycle, 1907 to 1914*. Columbia University studies in history, economics, and public law, vol. CVIII, no. 1. (New York: Longmans, Green & Co. 1923. Pp. 189. \$2.)

Chapters 1-3, 5-6 contain detailed descriptions of the sequence of events. Chapters 4, 7-8 present an analysis of the causes of the depressions of 1910-11 and 1913, and the factors determining the varying



lengths of cycles. These latter chapters contain the more significant material.

Professor Schluter finds that the prosperity periods of 1909 and 1912 were quickly checked by the limitation of the supply of bank credit in relation to the credit requirements of this period. The general conclusion is reached that "supply of credit determines the limit to which business activity may be carried forward" (p. 101), and that the "margin of elasticity in the credit system limits the lengths of the cycles" (p. 174).

The banking resources of the period were insufficient to support prolonged business expansion. The following is a fairly complete list of the factors upon which this conclusion is based: (1) The slow rate of increase in the world's gold production after 1908. (2) The heavy exportations of gold to Europe due to large imports, diminished exports of farm products, recall of capital by Europe through the sale of securities and liquidation of short-term loans, and the scramble for gold on the part of the central banks of Europe due to political apprehensions. (3) The inelasticity of the national bank note system which required the banks to meet the growing demands of the country for exchange media out of their cash holdings. (4) The restriction on American borrowing abroad due to European investments in colonial and backward countries, and heavy expenditures on the part of European governments for military purposes and social reform. (5) The increased credit requirements due to the rapidly expanding production and volume of trade. (6) The heavy drafts on bank credit caused by the high prices of materials and foodstuffs. (7) The excessive use of bank credit (in 1908-9) for stock market operations, thus diminishing the supply available for industrial purposes. (8) The mildness of the depression of 1910-11 which resulted in a fairly high level of production and prices, and prevented any large accumulation of surplus reserves in the banks, thus restricting the possible expansion of credit in the succeeding period of prosperity.

Much is made of the "greater requirements of capital and credit to meet the higher costs of foodstuffs and farm materials." This, it would seem, is putting the cart before the horse. Credit requirements can be measured in terms of the volume of trade, but prices and costs are resultant factors. As a matter of fact, farm product prices and food prices, as well as the all-commodities index, were substantially stationary from 1909 to 1914 so far as the trend is concerned; nor were the cyclical fluctuations extreme. This approach toward price stabilization probably indicates that the supply of credit kept a fairly even pace with production and trade, and is probably (so it seems to the present reviewer) the chief reason for the shortness of the cycles in this period. When the circulating media fail to meet the demands of trade, depression is prolonged because every reduction in costs is countered by a further fall in selling prices. On the other hand when the supply of circulating media outruns the demands of trade, prosperity is prolonged. Either way the cycle is lengthened. When, however, circulating media are fairly adjusted to the volume of trade, excessive expansion and contraction are both rapidly checked and the cycle is accordingly shortened. In the main Professor Schluter's analysis would accord with this, but in places he appears to believe that credit failed to keep pace with trade in this period. For example, he says (pp. 165-6) that the "rate of increase in reserves was not at all com-

mensurate with that of the demand for funds required by our economic growth and the activity of our investment enterprise."

The approach toward stabilization in 1909-13 should make this period a fruitful one for the study of how stabilization would work out in practice. This phase of the matter is however outside of the scope of Dr. Schluter's monograph.

ALVIN H. HANSEN.

VAN RENSSELAER, B. S. and WOLFE, A. J. *Trading under the laws of Argentina*. Supp. to Commerce Reports, Trade inf. bull. 242. (Washington: Supt. Docs. 1924. Pp. 37.)

ZWICKEL, E. M. *Austrian iron and steel industry and trade*. Supp. to Commerce Reports, Trade inf. bull. 265. (Washington: Supt. Docs. 1924. Pp. 19.)

*Official report of the eleventh National Foreign Trade Convention, held at Boston, Mass., June, 1924*. (New York: National Foreign Trade Convention, India House, Hanover Sq. 1924. Pp. 462. \$2.50.)

*Seasonal operation in the construction industries: the facts and remedies*. Report and recommendations of a committee of the President's Conference on Unemployment, with a foreword by HERBERT HOOVER. (New York: McGraw-Hill. 1924. Pp. xxx, 213. \$2.50.)

*Trade and shipping in the Dominion of New Zealand*. Statistical report for 1923. (Wellington, N. Z.: Census and Statistics Office. 1924. Pp. 443. 10s.)

### Accounting, Business Methods, Investments and the Exchanges

*The Balance Sheet: Its Preparation, Content and Interpretation*. By CHARLES B. COUCHMAN. (New York: The Journal of Accountancy, Inc. 1924. Pp. ix, 288.)

This work, conceived in a spirit of service to the accounting profession and faithfully executed by a practicing public accountant, is commended to members of the profession and others in an introduction by Edward E. Gore, president of the American Institute of Accountants. It will prove well worth a careful reading by business men in general as well as students and practitioners of accounting. The major portion of the book is devoted, chapter by chapter, to a detailed analysis of the characteristics of the important groups of balance-sheet items, a study of their accounting significance, and an outline of their proper accounting treatment for balance-sheet purposes. Chapters have very appropriately been devoted to the special problems of asset valuation, depreciation, cash discounts, consolidated balance sheets, balance sheets for credit purposes and statements of affairs.

The author's attitude is consistently conservative. Profits, it is emphasized, cannot flow except from a "transfer of property or ser-

vice from seller to buyer for a consideration in excess of cost to the seller." Cost is recognized as the basic element in asset valuation although, the author qualifies, "known losses should be taken at once and not postponed until later periods." The non-asset character of treasury stock and bonds is insisted upon. A line is definitely drawn between prepaid expenses and deferred charges based upon the existence or non-existence of "legally enforceable claims for service." Cost of property and not estimated cost of replacement is made the basis for depreciation charges for, notes the author, "there is a sharp difference between withholding an amount from distribution and treating an amount as expense." The capitalization of costs is approved only when an "increased asset value is unquestionable" or when "other treatment would work an injustice to anyone or present unfair records of operating results of various accounting periods." The accounting rule against offsetting specific assets and liabilities in the balance sheet is definitely emphasized. Working capital is explained as a capital concept and is not left as a mere expression of a formula. Many such accounting relationships are simple enough in expression but have too often been misunderstood or neglected entirely, if not by accountants, certainly by business men.

The author adheres to the rather generally accepted yet, in the opinion of the reviewer, wholly inadequate, accounting doctrine that in the case of a disappearing goodwill "it would not be desirable to write down the asset goodwill if a deficit would be created thereby." In other situations this would be recognized as dangerous doctrine. Asset accounts, whether goodwill or otherwise, must be made to tell the truth and the accounting recognition of the decrease in values must not be subject to the convenience of the surplus account. The author's point that under such circumstances "a reduction of asset value would involve impairment of capital" is not well taken. The impairment of capital is an accomplished fact and no question should arise concerning its recognition in the accounts. The reviewer questions also the propriety of the statement that "in the case of no-par stock the amount that may not be legally withdrawn by stockholders is measured by the nominal value per share fixed by the statute of the state under whose laws the corporation is organized." When the unwarranted significance which attaches to the concept of par value has been shaken from its grasp on our legal, business, and accounting minds it will be recognized that capital investment unaffected by par value or by the legal nominal value of no-par stock is the amount of the capital which must not be impaired by dividend distribution.

The chapters on Inventories, Goodwill, Capital Stock, Surplus, Reserves and Cash Discounts are particularly illuminating. In the statement that "the taking of a cash discount is no more than a refusal

to borrow money," the author succinctly summarizes his view that purchase discounts are offsets to otherwise overstated merchandise purchase prices. Mr. Couchman is to be especially commended, in the opinion of the reviewer, for taking this position. Although not in harmony with the practice of a large number of professional accountants, it is, nevertheless, fundamentally sound.

JAMES P. ADAMS.

*Brown University.*

*Factory Management.* By HENRY POST DUTTON. (New York: The Macmillan Company. 1924. Pp. vi, 329.)

*Industrial Management.* By RICHARD H. LANSBURGH. (New York: John Wiley & Sons. 1923. Pp. vi, 488. \$4.50.)

*Factory Management* is written mainly for use as an elementary text in factory management. It is a logical treatment of the subject from the standpoint of managerial functions. The two primary functions of the factory organization are stated as production and sales, with the following subsidiary production functions: design, supply, control, and operation.

The second chapter deals with financing and is a very brief but effective treatment of the subject from the standpoint of factory management. Although there are only two paragraphs on the budget, an effective illustration is given showing how the budget would be set up for financial control (p. 28). The treatment of selling is likewise a very brief summary.

For the purpose of discussing their control, industries are classified as: special order industries, lot repetitive type, flow repetitive type, intermediate types. The chapters on plant, lighting, and power are brief to the point of inadequacy, unless it be generally true that these subjects have been overemphasized in the current literature on management.

In the chapters on layout and equipment, time and motion study, purchasing, stores, planning and scheduling, one finds brevity and clearness. While the chapters do contain a great deal of absolutely new material there is always a clear apprehension of the principles, and effective presentation. Much of the material has been drawn from the experience of the author and has definiteness and authority.

The author's effort to give the fundamentals of double entry in the chapter on accounting is too brief and insufficiently illustrated to be understood by one who has not studied accounting and of no interest to one who has studied it. The chapter devotes too much attention to accounting procedure and technique and too little attention to the applications of accounting to the problems of management.

One finds the text bare of any historical material except in inci-

dental references to the Taylor system and prominent experts in the management field. Considering the elementary character of Mr. Dutton's treatment he probably shows good judgment on this point. At the end of the text there is a very useful collection of exercise problem material.

*Industrial Management* is intended for use as a text in college courses on factory management. It will also be useful to manufacturers and other executives. The book shows a familiarity with the literature in the field and also a vital grasp of the practical problems of management.

The introduction, part I, is an interesting historical treatment of management together with a summary of the history of industrial organization. Part II, on Plant organization, gives an account of the Taylor system of functional foremanship and other types of organization, pointing out in chapter 8 the necessity of elasticity in organization functions to take due account of the personal equation and allow a fair degree of individual initiative. Part III, The physical side of the plant, gives a lucid and well-illustrated discussion of layout, plant location, lighting, and power.

The chapters of part IV, on Standardization, deal with the standardization of product, of operations, of tools and tool rooms, with inspection and with nomenclature. The material on standardization of product is not generally found in the elementary texts and represents an application of war-time experience in the reduction of numbers of standard products to the problems of management. The nomenclature chapter is so well illustrated that the student would be able to apply the systems discussed in business practice.

Part V, on Job study, compares favorably with the treatment of this same subject in other texts and includes a treatment of time studies. Mr. Lansburgh's treatment of the objections to time study on the part of the laborers is less satisfactory. He thinks these objections are being eliminated by an improvement in the method (p. 273) and by more intelligent use, but this conclusion is rather vague and would not convince a conscientious objector to the setting of standard time for operations by the management through job study. That labor should be represented by an expert or that some type of unbiased and competent opinion should be used to protect labor against excessive time standards is an assertion difficult to controvert and represents one of the unsolved problems in the field of management.

The author, however, is happier in his solution of the wage problem and personnel relations, in parts VI and VII. After giving a discussion of the various types of wage payment commonly treated in management texts he reverts to the question of the fair wage and finally

concludes that the tendency to make wages relatively high as compared with base rates (p. 281), when the various types of piece rates are used, makes it less incumbent for the industrial manager to settle the question of the base rate. If any type of payment results in relatively high wages without injuriously affecting welfare in other respects it would seem to be a step in advance. A book on management can hardly be expected to settle the question fully as to what does control or what should control the base rate.

In part VIII, Controlling operations, a chapter is inserted on the use of the budget for general control purposes. While the chapter is an appropriate discussion for such a text, it is not illustrated and could not be fully appreciated by one who had not already become acquainted with the budget from a text in accounting.

The book is well written and will rank high among the elementary texts in the management field. It is unfortunate, however, from the point of view of a teacher that it does not contain exercise, case, and problem material which might be used effectively for teaching purposes.

SPURGEON BELL.

*University of Texas.*

*Textbook of Industrial Cost Accounting.* By PAUL M. ATKINS. (New York: McGraw-Hill Book Company. 1924. Pp. x, 396. \$4.00.)

Industrial cost accounting has long since definitely established itself as an important agency of administrative control. Moreover, industrial cost accounting practice has developed along certain generally recognized lines notwithstanding the decidedly local character of the problem of cost analysis. Instruction in cost accounting, on the other hand, has not developed the sort of generally accepted pedagogical procedure that guides instruction in financial accounting. For this very reason, the reviewer of a textbook in this field, however critical he may be of content and arrangement, is somewhat reluctant to pass judgment upon an author's suggestions for procedure.

The author of *Textbook of Industrial Cost Accounting* outlines its distinctive pedagogical contribution in the following prefatory note:

It has been prepared with the idea of teaching the subject in a way which is rather different from that now commonly in use. The practical exercises with which most accounting textbooks are equipped have been replaced with a single report which is outlined in the appendix and which each student is to prepare. The report is to be based on the personal investigation by each student of some particular concern and should embody recommendations to the manager of that company for the improvement of the cost system in use, if one exists, or for the installation of such a system if there is none.

While this method may suggest one phase of the future development of cost accounting instruction, it is doubtful, in the opinion



of the reviewer, if it can supplant for the present, at least, the more usual type of laboratory exercise. In the first place, its use is limited by the fact that a study and report of the type suggested could not be intelligently undertaken by a student until the latter part of his cost accounting course. Furthermore, the intimate connection with specific industrial establishments which this program contemplates is not easily effected. Without such a concrete setting the study and report resolve themselves into a perfunctory performance of an ordinary laboratory exercise.

The function of the introductory chapters of a text on cost accounting is to point out to the student the essential nature of the cost accounting problem and the need for its solution. They must familiarize him with the organization and activities of an industrial establishment. They must introduce him to the cost accounting machinery which supplements the financial accounting structure with which he is familiar. This book satisfactorily meets the test. The first six chapters are devoted to a discussion of the functions of a cost accounting system, an analysis of the elements of industrial costs, a general description of the cost records, an outline of the functional classification of industrial activities, an exposition of the functions of an organization manual and a study of production control in its relation to cost accounting. These chapters serve to set the student in the proper industrial atmosphere before he is introduced to the technical procedure of cost analysis. This very desirable feature is too often neglected.

Of the remaining chapters, three are devoted to the purchase, receipt and storing of materials, and the pricing and recording of material requisitions, and two chapters to wage payments and payroll distribution. Nine chapters are given over to the analysis, classification, budgeting, distribution and recording of expenses, and four to an analysis of the problem of burden distribution. Three chapters are devoted to the preparation of forms and the use of mechanical devices, while the three concluding chapters discuss the utilization of cost accounting records.

In the discussion of interest as an element of cost, chapter 19, the author clearly distinguishes between the economist's concept of cost from the social standpoint, and the accountant and business man's concept of cost from the standpoint of a specific business enterprise. He clearly opposes, for accounting purposes, at least, the inclusion of interest as an element of manufacturing costs. Unfortunately he does not state the conclusion to which his arguments lead him, but rests the case on the temperament of the individual business manager. The discussion of the bases of cost analysis is quite inadequate. No attempt is made to point out more than a few of the practical

considerations which make necessary the use of *process* or *operation* costs as opposed to each other or to *job* costs and the special accounting procedures incident thereto.

The questions following each chapter are not of the rhetorical type often found in textbooks, but are of such character and scope as to constitute an adequate basis for class discussion. Together with the supplementary reading references they furnish an incentive to further study of the subject. Another desirable feature is the author's announcement, in italics at the head of each chapter, of what he conceives to be the "purpose of this chapter." Such systematic introspection on the part of the author insures unity and coherence. It furnishes a valuable guide to the student and instructor.

JAMES P. ADAMS.

*Brown University.*

#### NEW BOOKS

- AINSWORTH, W. *Cost accounting; its higher organization and control.* (New York: Pitman. 1924. Pp. 103. \$1.50.)
- ALDRICH, F. H. *A Michigan treatise on the law of mortgages of real property.* (Detroit: F. S. Drake. 1923. Pp. xv, 731.)
- ALDRICH, H. J. *The stock market investor.* (Boston: Four Seas. 1923. Pp. 144. \$2.)
- ALLEN, F. J. *Advertising as a vocation.* (New York: Macmillan. 1924. Pp. xxi, 180. \$2.)
- ASPLEY, J. C. *What a salesman should know about finance.* (Chicago: Dartnell Corp., 1801 Leland Ave. 1924. Pp. 128. \$1.10.)
- BABB, H. W. *Business law, a textbook.* (New York: Ronald. 1924. Pp. viii, 489. \$1.75.)
- BARBER, J. H. *Coördination of sales and production: how the Walworth Manufacturing Company establishes precise sales-production schedules.* Reprinted from vol. IX, no. 3, of *Bulletin of the Taylor Society.* (New York: Taylor Society, 29 West 39th St. 1924. Pp. 23.)
- BARNES, F. E. *Estimating building costs and appraising buildings.* (New York: McGraw-Hill. 1924. Pp. xii, 822. \$5.)
- BECKMAN, T. N. *Credits and collections in theory and practice.* (New York: McGraw-Hill Book Co., Inc. 1924. Pp. vii, 465. \$4.)

No more important path can be blazed toward the safe and sane development of business than that of improved policies of credits and collections. Every man who has handled collections or credits, whether on a large scale or small, can get much of value from study of the present volume, by Professor Beckman, who is assistant professor of business organization in Ohio State University. But would not more of those who could profit most by it, particularly business men, read it carefully through if all non-essentials were eliminated or reserved for a more elementary treatise? If, as we hope, a new edition is called for, we should like to see the author prepare an abridged edition, in which every

effort is made to avoid repetitions, and from which interesting but not vital historical and theoretical discussions are eliminated. Such an edition would not perhaps satisfy the author's desire for a complete general treatise suitable for college students having no conception either of economics or of business, but it would, we believe, better fulfil his still more important aim, which is to further the sound development of industry through a logical system of credits and collections.

"Fundamental principles of credit and collections" are defined and explained in part 1. Part 2, "Sources of credit information," deals at length with the various sources open to the credit manager, such as mercantile agencies and interchanges of ledger experience. It includes an instructive chapter on financial statement analysis. Part 3 takes up "Credit department organization and management," and part 4, "Technical and legal aspects of collections" in addition to supplying technical information as to receiverships, bankruptcy, etc., devotes two chapters to collection policies and collection correspondence.

The chapters on collection methods and policies, and collection correspondence are particularly valuable, and might be read with profit by many a successful credit manager. We should like, however, to see still more emphasis laid on the importance of educating the debtor to the fact that the creditor in pressing him for punctual payments is acting for the debtor's own good, and that requests for credit information, etc., are really to enable the creditor to help the debtor in the most efficient and practical manner.

Attention should be called to an error on page 236, where it is stated that: "When a large ratio of sales to fixed assets is shown, it means that the degree of plant utilization is relatively low." Obviously, it is a *low* ratio that indicates this condition. Again, in the last sentence on page 325, there are several words omitted without which the meaning is obscure.

CHARLES ALMY, JR.

BERRY, H. *Executive uses of costs*. Official pubs., vol. VI, no. 1. (New York: National Assoc. of Cost Accountants, 130 West 42nd St. 1924. Pp. 14. 75c.)

BLACK, J. D. and PRICE, H. B. *Coöperative central marketing organization*. University of Minnesota, Agr. Exp. Station bull. 211. (University Farm, St. Paul, Minn.: Agri. Exp. Sta. 1924. Pp. 112.)

BLISS, J. H. *Management through accounts*. (New York: Ronald. 1924. Pp. x, 851. \$6.)

BLOOMFIELD, D. *The modern executive*. (New York: H. W. Wilson Co. 1924. Pp. vii, 263. \$2.25.)

Contains a seven-page bibliography, and collection of articles on Leadership and the modern executive; The place of the executive in management; What is executive ability; Developing executive ability; The foreman as an executive; The work of the executive.

BOGART, E. L. *Internal improvements and state debt in Ohio: an essay in economic history*. (New York: Longmans, Green. 1924.)

BROWN, B. W. *Selling securities*. (New York: H. L. Doherty & Co. 1923. Pp. 72.)

- BUCK, C. E. *The business letter-writer's manual, for students and business folks who seek a convenient, practical and really usable reference book in creating better business letters.* (New York: Doran. 1924.)
- CARPENTER, J. C. *Carpenter's instalment loans, monthly payment, number of payments, present value, interest taxable as income, compound amounts, annuities, discounting bonds and notes calculator, 8 per cent monthly payments, monthly compound.* (Houston, Tex.: Carpenter Calculator Co. 1924.)
- CLARK, F. E. *Readings in marketing.* (New York: Macmillan. 1924. Pp. v, 725. \$3.25.)
- COBB, H. P. *Shoe factory accounting and cost keeping.* (Chicago: Jacobson Pub. Co. 1924. Pp. xii, 392.)
- COOK, W. W. *A treatise on the law of corporations having a capital stock.* Eighth edition. Vol. VI. (New York: Baker, Voorhis & Co. 1923. Pp. xiii, 4821-5936.)
- COPELAND, M. T. *Principles of merchandising.* (Chicago: A. W. Shaw Co. 1924. Pp. xi, 368. \$4.)
- CRANE, J. A. and MAGRUDER, C., editors. *Cases on the law of partnership and other unincorporated business associations, selected and annotated.* (Indianapolis, Ind.: Bobbs-Merrill Co. 1923. Pp. xiii, 974.)
- CUTTER, W. O., WILLIAMS, C. A., and HOOK, D. W. *Controlling the labor.* Official pubs., vol. V, no. 23. (New York: Nat. Assoc. of Cost Accountants. 1924. Pp. 15. 75c.)
- DONOVAN, H. M. *Advertising response.* (New York: Dodd, Mead & Co. 1924. \$2.)
- DU BRUL, E. F. *Importance of the cost of idleness in equipment industries.* Official pubs., vol. V, no. 22. (New York: Nat. Assoc. of Cost Accountants. 1924. Pp. 14. 75c.)
- DUNCAN, K. *Equipment obligations.* (New York: D. Appleton & Co. 1924. Pp. xxviii, 358. \$3.50.)

There have been, already, several studies of equipment obligations, but none so comprehensive or analytically minute as this one. There is first an introduction by Professor Sharfman, of the University of Michigan, which seeks to orient corporation finance among humanistic studies and equipment obligations among its genera and species. Then for eight chapters the author takes up in succession the nature of equipment obligations, their history, their legality, their investment standing, and the intricate problems of accounting which their use has introduced into railway finance. Among the author's contributions to the subject is a summary statement of the legal cases covering equipment obligations and a painstaking summary of all the state statutes pertaining to them. His treatment of the investment qualities of equipment obligations (ch. 7) is thorough, reserved, and penetrating. Appended to the book is a series of illustrative documents including typical equipment obligation instruments in varying form. There is also an excellent bibliography.

It never seemed to me that a short review was the place to discuss controversial points, especially if they were concerned with the details rather than the underlying principles of a book. And in these underlying

principles, developed by the author, I find myself in complete accord. In the matter of details I find myself unable to agree (p. 266) that sacrifice sale value of the equipment is not, rather than an arbitrary depreciative value, the ultimate test of investment security of any issue of equipment obligations. Nor am I convinced, even by the author's citations (pp. 122 and 147), that the old Philadelphia lease plan of issuing obligations is not stronger than the conditional sale plan. But I hesitate to mention these minor points of disagreement when the impression left by the whole book is one of great satisfaction.

ARTHUR S. DEWING.

FARNHAM, D. T. *Profitable science in industry*. (New York: Macmillan. 1924. \$3.50.)

FILENE, A. L. *A merchant's horizon*. In collaboration with BURTON KLINE. (Boston: Houghton Mifflin. 1924. Pp. 266. \$2.50.)

FORDHAM, T. B. and TINGLEY, E. H. *Organization and budgetary control in manufacturing*. (New York: Ronald. 1924. Pp. vii, 233.)

GOTTL-OTTLILIEFELD, F. VON. *Fordismus? Paraphrasen über das Verhältnis von Wirtschaft und Technischer Vernunft bei Henry Ford and Frederick W. Taylor*. (Jena: Kommissionsverlag von Gustav Fischer. 1924. Pp. 37.)

This somewhat wordy pamphlet contrasts the industrial methods of Taylor and of Ford, the author being an enthusiastic admirer of the latter.

GREENE, J. H. *Principles and methods of retailing*. (New York: McGraw-Hill. 1924. Pp. xii, 287.)

Author is personnel director of a department store, and on the teaching staff of the School of Administration of the University of Pittsburgh. The appendix contains a list of sample problems from students, an outline for a course for buyers, and suggestions for instruction.

GREER, H. C. *Chain store accounting*. (New York: McGraw-Hill. 1924. Pp. x, 312. \$3.)

GRIFFITHS, C. H. *Fundamentals of vocational psychology*. (New York: Macmillan. 1924. Pp. xiii, 372.)

Most of the problems in the joint selection of man for job and job for man involve the crucial issue of individual differences. The present volume devotes the first four chapters to the reasons for variability in human nature, the statistical measure of this variability, and an incisive critique of unscientific methods of selection. The thirteen chapters which follow present various methods of selection, including trade tests, tests of motor and sensory abilities, and general-intelligence tests. For the most part, these latter chapters are informational rather than evaluative. For an excellent presentation of the problems encountered in the use of tests for selection the reader will wish to add Link's pioneer volume, *Employment Psychology*.

C. L. STONE.

HALL, S. R. *Business writing*. (New York: McGraw-Hill. 1924. Pp. 222. \$2.50.)

HENDERSON, G. C. *The Federal Trade Commission: a study in administrative law and procedure*. (New Haven: Yale Univ. Press. 1924. Pp. vii, 382. \$3.50.)

- HODGE, A. C. *Use of accounting information and statistical data in a department store.* Official pubs., vol. V, 20. (New York: Nat. Assoc. of Cost Accountants. 1924. Pp. 15. 75c.)
- HORNER, H. C. *Horner on estates; a treatise on the law of descent and distribution and wills.* Third edition. (Chicago: Callaghan & Co. 1923. Pp. xvi, 1036.)
- HOTTMAN, R. R. *Practical collection procedure, containing over two hundred practical letters and practical procedure for the collection of mercantile accounts.* (La Crosse, Wis.: Northwestern Business Press Co. 1923. Pp. 244.)
- HUBBARD, G. and others. *Advertising ideas and selling plans.* (New York: Dry Goods Economist, 239 W. 39th St. 1924. Pp. 96. \$3.)
- ISMAN, F. *Real estate in all its branches.* (New York: Appleton. 1924. Pp. xi, 307.)
- JENSEN, C. A. *A treatise on the mechanics' lien law of the state of New York.* Second edition. (New York: Clark Boardman. 1924. Pp. 708. \$7.50.)
- JOHNSON, J. F. *Organized business knowledge; a survey of underlying principles so essential to business understanding and success.* (New York: B. C. Forbes Pub. Co. 1923. Pp. xxi, 204.)
- JONES, C. T., editor. *Teaching business subjects in the secondary school.* (New York: Ronald. 1924. Pp. vii, 307.)
- KERR, J. H., JR. *Method in dealing in stocks; a practical guide and handbook for recording and interpreting the daily action of the stock market.* (Uniontown, Pa.: Speculatist Co. 1924. Pp. xv, 128. \$2.50.)
- KINNEY, W. R., compiler. *The descent of real property in Ohio; being a summary of the various statutes of descent, in so far as they affect realty, with citations of certain leading cases.* (Cleveland: Britton Printing Co. 1924. Pp. 45.)
- KIRSHMAN, J. E. *Principles of investment.* (Chicago: A. W. Shaw Co. 1924. Pp. xxii, 902. \$5.)
- KORNHAUSER, A. W. and KINGSBURY, F. A. *Psychological tests in business.* (Chicago: Univ. of Chicago Press. 1924. Pp. 194. \$1.90.)
- The nature, uses, and results of psychological tests are so commonly misunderstood that this volume deserves careful reading, alike by oversanguine users of tests and by hasty skeptics. The chapters presenting the results of tests applied in industry have a unique attractiveness for the executive, but their real meaning is comprehended only if the reader has an appreciation of what psychological tests really are and how they are scientifically constructed, an appreciation to which two excellent chapters are dedicated.

C. L. STONE.

- LEE, J. *Management: a study of industrial organization.* (London: Sir Isaac Pitman & Sons, Ltd. 1921. Pp. vii, 125.)

This interesting book is largely a philosophical discussion of those phases of management which we have come to classify under the name of personnel management. Mr. Lee holds that the day of absolute and

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autocratic industrial control has and ought to have passed; likewise, the "benevolent employer" of the Victorian epoch. What he pleads for is the searching out after "some science and art of management which has a respect for human nature other than the idea of the crude old management which regarded men and women as 'hands.'" In line with this he points out various channels through which every member of the organization may assist in the formulation and direction of company policies and in the development of a "group-mind" of loyal and enthusiastic coöperation.

In the question of training industrial leaders, Mr. Lee offers a plan whereby men who have already proven their potential capacity for leadership may be chosen with "ruthless impartiality" and be sent to a university for a broad training. This would prove a remunerative venture for companies and would result in "an increased respect for the science of administration itself on the one hand, and on the other hand an increased closeness of touch between the science of administration and actual practice." The results of this new departure which is in accord with recent developments in this country, will be watched with interest by students of management.

Mr. Lee has no quarrel with scientific management as such, but he is much opposed to it as it has so often been applied, namely: without due regard to the manifold differences of human beings and without calling upon the worker to assist in the process of discovering more efficient methods. Fluent arguments in favor of functional management are presented as tending to build up a sense of interdependence and helping "to correlate the human machinery into one sensitive whole," but the author does not point out that functional management when carried beyond a certain point makes it impossible to fix responsibility and adds to the possibilities of friction arising on account of the resulting overlapping of functions.

In discussing the theories of wages, Mr. Lee advances broad principles to govern wage payments which include provision for dependents, old age, sickness and unemployment. He seems to assume that industry can make any provision for these factors which is deemed proper and does not caution the reader to remember that all continued payments must come out of the value of the product sold. Except as we may draw on profits now given to the stockholders, any increased provision for these factors must come out of the workers' present remuneration, or it must be met by a corresponding increase in productive efficiency. Other major phases of management which Mr. Lee discusses are: immediate supervision, promotion and discipline, welfare methods, works committees, and Whitley Councils.

HUDSON B. HASTINGS.

LINCOLN, W. G. *California real estate laws, aquisition, holding, transfer, tenantry, real estate agents, notaries, forms, realtors, compiled from the statutes and court decisions.* (Los Angeles: Los Angeles News Co. 1924. Pp. 188.)

LYNDON, L. *Rate-making for public utilities.* (New York: McGraw-Hill. 1924. Pp. 209. \$2.)

MCCORD, F. A. *The art of selling bonds.* (Philadelphia: F. Peirce & Co. 1924. Pp. 146.)

MALTBIE, W. H. *The theory and practise of public utility valuation.* (New York: McGraw-Hill Book Co. 1924. Pp. v, 201. \$2.)

MANNING, A. B. *Elements of cost accounting.* (New York: McGraw-Hill. 1924. Pp. xi, 157. \$2.)

The purpose of this book is to present the subject "by means of graphic charts with related explanatory text, as well as by a continuous series of connected problem data." As a general rule the author deals in each case with only one method of treatment, giving but slight attention to alternatives. The fundamental principles explained are not applied to any particular line of industry.

After a general introduction to the subject and a condensed exposition of the principles of the job order method, the author gives a more extended explanation of the same method, covering about two thirds of the book. The concluding sections explain process costs and general ledger procedure. Parts of the volume may tend to fatigue the student by the multitude of directions which follow each other almost without interruption, but on the whole the author has been successful in avoiding unnecessary monotony. No doubt this will prove a satisfactory textbook to be used in short courses where the available time is sufficient only to "lay down the law."

A. W. HANSON.

MEINE, F. *The Chicago press-feeders' wage arbitration case.* Cases and problems, no. 6. (Chicago: Univ. of Chicago Press. 1923. Pp. 161-180.)

MILLS, L. *Oklahoma Indian land laws.* (St. Louis, Mo.: Thomas Law Book Co. 1924. Pp. ix, 1254.)

A second edition of *The Lands of the Five Civilized Tribes.*

MOULTON, H. G. *The Danner-Kraft Dry Goods Company.* Cases and problems, no. 4. (Chicago: Univ. of Chicago Press. 1922. Pp. 125-140.)

NAMM, B. H. *Advertising the retail store.* Foreword by ARTHUR BRISBANE. (New York: U. P. C. Book Co., Inc. 1924. Pp. xvii, 228.)

RAMSEY, R. E. *Constructive merchandising.* (New York: Appleton. 1924. \$5.)

REED, R. R. and WASHBURN, L. H. *Blue sky laws, the text of the "blue sky laws" of the states of the United States, as changed and amended, together with analyses.* (New York: Clark Boardman Co., Ltd. 1924.)

REMMINGTON, H. *A treatise on the bankruptcy law of the United States.* Third edition. Vol. 8. (Rochester, N. Y.: Lawyers Coöperative Pub. Co. 1924. Pp. xii, 1039.)

ROE, E. T. *Lessons in business; a complete compendium of how to do business by the latest and safest methods.* Census edition. (Chicago: John A. Hertel Co. 1924. Pp. 512. \$1.90.)

ROSEN, U. F. VON. *Operating ratios and costs as guides to management.* Official pubs., vol. VI, no. 2. (New York: National Assoc. of Cost Accountants. 1924. Pp. 9. 75c.)

RUSSELL, F. A. *Textbook of salesmanship*. (New York: McGraw-Hill. 1924. Pp. vii, 319. \$3.)

Author is professor of business organization and operation at the University of Illinois, and the volume supplements *Management of the Sales Organization*, previously written by the same author. It covers the customary topics of approach, interview, demonstration, meeting objections and the closing of a sale. It is designed as a textbook. Each chapter is followed by questions. In the appendix is a three-page list of collateral readings.

SECRET, H. *Expenses, profits and losses in retail meat stores: how much and why*. Series III, no. 9. (Chicago: Northwestern Univ., Bureau of Business Research. 1924. Pp. 70. \$1.)

———. *A seven years' view of sales and expenses of retail clothiers, 1916-1922*. Series II, no. 10. (Chicago: Northwestern Univ., Bureau of Business Research. 1924. Pp. 28. \$1.)

SELLS, E. W. *The natural business year and thirteen other themes*. (Chicago: A. W. Shaw Co. 1924. Pp. iii, 275. \$4.)

A reprint of papers and essays, among which are the following: The natural business year for inventories and fiscal closings; You can't judge your business by the past three years; Certified public accountancy as a profession; Cost accounting; What shall be done to put education for accountancy on a professional basis?—a symposium; Publicity of financial affairs of corporations; Proposed plan for handling interline freight claims. The "foreword" contains a brief sketch of Mr. Sell's life, by Professor W. G. Jordan.

SHEPARD, G. H. *The principles of management; a textbook for students*. (Lafayette, Ind.: Purdue Univ. 1924. Pp. 327.)

SPEAKER, L. M. *The investment trust*. Prize monograph, Chicago Trust Co. prizes for research relating to business development and the modern trust company, 1924, second prize. (Chicago: A. W. Shaw Co. 1924. Pp. x, 112.)

STURGIS, H. S. *Investment—a new profession*. (New York: Macmillan. 1924. Pp. xiii, 210. \$2.)

An intelligent and interesting discussion of the art of investment. This requires first, an analysis of general business conditions; then, the study of particular industries; next, the selection of the company; and, finally, the type of security. The author cites individual companies and securities for illustration.

SWEENEY, H. W. *Bookkeeping and introductory accounting*. (New York: McGraw-Hill Book Co. 1924. Pp. xii, 545. \$4.)

TEAD, O. *Course in personnel administration. Syllabus and questions*. (New York: Columbia University Press. 1923. Pp. xii, 257. \$3.)

As stated by the author, "This book was originally prepared as the textbook for the home-study course in personnel administration offered by Columbia University." It should, however, be classed as a syllabus rather than a textbook. The material is divided into forty lessons or topics. For each lesson there is given: A. Required readings; B. Optional readings; C. Comments by the author; D. Questions for notebook; E. Questions for papers. The required readings are from: Tead

and Metcalf's *Personnel Administration*; Daniel Bloomfield's *Employment Management*, and J. R. Commons' *Industrial Government*. The optional readings are selected from a list of some eighty-five books and periodicals.

The comments by the author represent, in the main, additional material to that contained in his book written in coöperation with Mr. Metcalf. In some cases, however, these comments reflect a change in ideas from those expressed in the earlier volume, in the light of more recent experiences and observations. A notable example of this is the author's new view as to the most desirable type of organization for a personnel department, which he now thinks should be advisory rather than executive wherever the nature of the work permits.

The questions are very helpful to the student in aiding him to discover whether or not he has thoroughly turned over in his own mind the major topics of the course. The required readings of the course are largely from the social and managerial point of view. However, the appendices of the book (which constitute about one half of the volume) and the optional readings contain much material of a vocational nature. For the student who is undertaking a comprehensive study of personnel administration, this book will provide an excellent guide and for those experienced in this work, the selected bibliography and appendices should be of much assistance.

There is one major problem in personnel administration which the author does not attempt to analyze—the problem of securing justice as between different groups of wage-earners and as between the different groups of wage-earners, the employers, and the general public if we are to have collective bargaining in each industry on a national scale. The author advocates such bargaining, but fails to discuss the fundamental and far-reaching problems which such procedure introduces into our economic structure. This problem was brought prominently to the fore in the recent strike in the anthracite fields; but no broad principles which might serve as a guide in the future were incorporated in the terms of settlement, nor has the Railroad Labor Board announced any general principles upon which it will operate.

HUDSON B. HASTINGS.

THOMPSON, G. W. *Commentaries on the modern law of real property, being a comprehensive treatment of every phase of the subject, with special reference to the acquisition, incumbrance, and alienation of real property, with complete forms.* Vols. 1-3. (Indianapolis, Ind.: Bobbs-Merrill Co. 1924.)

TREGOE and WHYTE. *Effective collection letters.* (New York: Prentice-Hall. 1924. \$4.)

VANDERBLUE, H. B. *Problems in business economics.* (Chicago: A. W. Shaw Co. 1924. Pp. xix, 631. \$5.)

VINAL, E. R. *Mathematics for the accountant.* Third edition. (New York: Gregg Pub. Co. 1924. Pp. xvi, 201.)

WALKER, F. R. *Practical accounting and cost keeping for contractors, illustrating and describing in easy understandable language, bookkeeping and accounting systems for contractors, giving complete instructions and examples of the proper methods of keeping time and compiling costs*

- on all classes of construction work. (Chicago: F. R. Walker Co. 1924. Pp. 169.)
- WALKER, P. F. *Management engineering; the design and organization of industrial plants.* (New York: McGraw-Hill Book Co. 1924. Pp. 359. \$3.50.)
- WEBNER, F. E. *Factory overhead; a work of reference for factory managers, engineers, cost accountants and students.* (Washington: White Press Co. 1924. Pp. xvii, 456.)
- WEISS, J. M. and DOWNS, C. R. *The technical organization; its development and administration.* (New York: McGraw-Hill Book Co. 1924. Pp. x, 197. \$2.50.)
- WHIPPLE, T. H. B. *Principles of business writing.* (E. Pittsburgh, Pa.: Westinghouse Technical Night School Press. 1924. Pp. 182.)
- WHITE, P. and HAYWARD, W. S. *Marketing practice.* (Garden City, N. Y.: Doubleday, Page & Co. 1924. Pp. xii, 577.)
- WILLISTON, S. *The law governing sales of goods at common law and under the Uniform Sales act.* Second edition. (New York: Baker, Voorhis & Co. 1924. Two vols.)
- WILSON, G. *A basis for cost accounting in banks.* Official pubs., vol. V, no. 21. (New York: National Assoc. of Cost Accountants. 1924. Pp. 10. 75c.)
- ZANGERLE, J. A. *Principles of real estate appraising.* (Cleveland, O.: Stanley McMichael Pub. Organization, 1922 Prospect Ave. 1924. Pp. 358. \$5.)
- Accountants' index. Supplement, a bibliography of accounting literature, January, 1921-June, 1923.* (New York: Am. Inst. of Accountants. 1923. Pp. 599.)
- American buyers' guide. A classified directory and handbook for American importers and exporters, 1924-25.* (Berlin: Am. Chamber of Commerce in Germany. 1924. Pp. 275. \$2.)
- Containing sources of supply and handbook information for American buyers of Central European merchandise.
- Automobile selling, by practical salesmen.* (Chicago: Automobile Trade Assoc. 1924. Pp. 115.)
- Bell telephone securities: reference tables and descriptions.* 1924 edition. (New York: Bell Telephone Securities Company, 195 Broadway. 1924. Pp. 60.)
- Bonds of foreign governments issued in the United States; external issues.* (New York: Harris, Forbes & Co. 1924. Pp. 75.)
- Budgetary control in retail store management.* Supp. to Commerce Reports, Trade inf. bull. 266. (Washington: Supt. Docs. 1924. Pp. 18.)
- Cleveland; being a survey, analysis and forecast of "the Cleveland market of 1924" for the convenient reference of newspaper advertisers.* (Cleveland: Cleveland Press. 1924. Pp. 42.)
- Crain's market data book and directory of class, trade and technical publications.* Fourth edition, 1924. (Chicago: G. Crain, Jr., 537 S. Dearborn St. 1924. Pp. 505. \$5.)

*Economics for employees, methods and content; report of committee on economics for employees.* (New York: American Management Assoc. 1924.)

*Fourth semi-annual survey of the real estate market, June 1, 1924.* (Chicago: National Association of Real Estate Boards, 310 So. Michigan Ave. 1924. Pp. 17.)

*Graphic selling charts.* (New York: Spectator Co. 1924. Pp. 70. \$10.)

*Grocers' primer.* Vol. I, *An outline of the grocery business at wholesale.* (Sioux City, Ia.: International Wholesale Grocers Educational Commission. 1924. Pp. 74. 80c.)

Issued by International Wholesale Grocers' Educational Committee, of which O. J. Moore, Sioux City, Iowa, is chairman. Advocates co-operation with the Harvard Bureau in order to place the business on a more stable basis. Deals largely with accounts.

*Investment counsel.* Third edition, revised. (Boston: Scudder, Stevens & Clark. 1924. Pp. 45.)

*Job analysis and its use; report of the committee on job analysis.* (New York: American Management Association. 1924. Pp. 16.)

*Handbook of commercial information services.* Compiled by the committee on commercial information services. (Washington: Special Libraries Assoc. 1924.)

*The menace of the chains; a discussion of chain store distribution and its serious menace to the manufacturer, whose business success depends on his finding and keeping a market for his product.* (Indianapolis, Ind.: Millis Advertising Co. 1924.)

*Minutes of the seventh annual members' meeting and convention of the American Association of Advertising Agencies, New York, October, 1923.* (New York: Am. Assoc. of Advertising Agencies, Office of Executive Secretary. 1924. Pp. 261.)

*Operating expenses in the wholesale grocery business in 1923* (bull. no. 40); *in retail grocery stores in 1923* (no. 41); *in the wholesale automotive equipment business in 1923* (no. 42); *in retail shoe stores in 1923* (no. 43); *in department stores in 1923* (no. 44); *in the wholesale dry goods business in the South in 1923* (no. 45); *in the wholesale drug business in 1923* (no. 46); *in retail jewelry stores in 1923* (no. 47); *in the retail automobile tire and accessory business in 1923* (no. 48). *Bulletins of the Bureau of Business Research.* (Cambridge: Harvard Univ. Press. 1924. Pp. 67; 66; 73; 62; 112; 60; 73; 76: 90. \$1 each.)

*Operating expenses of retail grocery stores in Nebraska in 1923.* Nebraska studies in business, no. 10. (Lincoln, Neb.: Univ. of Nebraska, Extension Division. 1924. Pp. 24. 50c.)

*Railway accounting procedure.* 1924 edition. (Washington: Railway Accounting Officers Assoc., 1116 Woodward Bldg. 1924.)

*Report of the Federal Trade Commission on the grain trade.* Vol. IV, *Middlemen's profits and margins.* (Washington: Supt. Docs. 1924. 40c.)



*Retail store location.* Supp. to Commerce Reports, Trade inf. bull. 269. (Washington: Supt. Docs. 1924. Pp. 12.)

*Scientific distribution. Modern selling—a dynamic wealth producing force.* *The Annals*, vol. CXV, no. 204. Sept., 1924. (Philadelphia: Am. Academy of Political and Social Science. 1924. Pp. 260. \$2.)

*Seventy-two master letters and what made them pay.* (Chicago: A. W. Shaw Co. 1924. Pp. 160.)

*Who's who in finance, banking and insurance, a biographical dictionary of contemporaries, 1923-1924.* Edited by J. W. LEONARD. (Brooklyn, N. Y.: Who's Who in Finance, Inc. 1924. Pp. xii, 1039.)

## Capital and Capitalistic Organization

### NEW BOOKS

COUSE, H. A. *The law of private corporations in Ohio, together with decisions, commentaries, forms and precedents.* Second edition. (Cincinnati: W. H. Anderson Co. 1924.)

EASTMAN, F. M. *A cumulative supplement to the second edition of Eastman on private corporations in Pennsylvania.* (Philadelphia: G. T. Bisel Co. 1924. Pp. xlv, 1234.)

FLETCHER, W. M. *Cyclopedia of the law of private corporations.* 1924 supplement, by H. R. BRILL, JR. Vol. 11. (Chicago: Callaghan & Co. 1924. Pp. xi, 1804.)

LIEFMANN, R. *Kartelle und Trusts und die Weiterbildung der volkswirtschaftlichen Organisation.* Sixth enlarged edition. (Stuttgart: E. H. Moritz. 1924. Pp. 173.)

PARKER, J. S., editor. *The corporation manual, with forms and precedents.* (New York: United States Corporation Agency. 1923.)

ROSENBERG, J. N. and others. *Corporate reorganization and the federal court.* (New York: Baker, Voorhis & Co. 1924. Pp. xxviii, 148. \$2.50.)

SMITH, J. B. R., editor. *New York laws affecting business corporations.* Fifth edition, revised. (New York: U. S. Corporation Co., 65 Cedar St. 1924. Pp. 319. \$2.)

SOULE, G. *The accumulation of capital: social vs. personal savings.* (New York: League for Industrial Democracy, 70 Fifth Ave. 1924. Pp. 19. 10c.)

"This pamphlet is written in direct response to a need. Representatives of the L. I. D. have discovered in colleges and elsewhere a curious belief that the possession of capital meant about the same thing to the village blacksmith under the spreading chestnut tree as to his grandson on the stock exchange. Yet the blacksmith knew that his capital was mortal, to be replaced by his own diligence, forethought and sacrifice. The grandson regards his stock as immortal, and moreover magically endowed with power to add to itself without sacrifice on his part. If the machinery of steel mills is outworn he as a stockholder exercises no conscious diligence or forethought to replace it, nor does he consciously sacrifice anything he might enjoy in order that it may be

replaced. The accumulation of capital in other words is less the achievement of prudent and self-denying investors than the collective achievement of industry itself. The accumulation is credited, not to workers or consumers, but to fortunate possessors of stock certificates."

### Labor and Labor Organizations

*The Control of Industry.* By D. H. ROBERTSON. Cambridge economic handbooks, J. M. KEYNES, general editor. (New York: Harcourt, Brace & Company. 1923. Pp. ix, 171.)

Not the least important question raised by this volume in the well-known Cambridge series is that of the meaning of its title. On his first page Mr. Robertson distinguishes three major problems of current industry: first, the problem of production—of maintaining a rising standard of comfort for a growing population; second, the problem of distribution—of sharing the results of industry "in a manner more productive of human welfare and more consistent with our ideas of social justice"; and, third, "the problem of government or control—how, if at all, can we ensure that the men and women engaged in industry shall not become mere instruments of production or mere passive receptacles of its fruits, but shall retain, in their relation to the economic circumstances of their life, the character of self-directing human beings?"

Strictly followed, this interpretation of the title would lead to a very different book from that which Mr. Robertson has written: a book in which the entire result of industrial civilization would be appraised by the standard of a positive theory of human nature. This standpoint, occupied at present mainly by *a priorist* thinkers, seems likely to become more prominent with the development of psychology and psychiatric study; and in so far as it focuses attention upon the somewhat naive psychological assumptions of certain schools of reform, one wishes Mr. Robertson had adhered to it rather more closely.

An alternative interpretation of the title would bear upon the mechanism of the market as controlling, in a given environment, both production and distribution; and would demand that critical discussion of price and its alternatives (if any) upon which radical critics seem so chary of entering. This task also Mr. Robertson declines—possibly considering it to have been already performed in a previous volume of this series. For the most part he interprets "control" in the rather loose sense indicated by the phrases "joint control," "workers' control"—with the emphasis, that is to say, upon distribution. He is thus led to a study of "the nature and composition of that company of immediate agents who direct the processes of business"; and his book becomes mainly descriptive, with the analysis

necessarily limited in scope and depth by the vast extent of the field to be surveyed.

The survey is astonishingly well done. In eighty pages we are shown the division of labor, the integration of industry and marketing, the effects of standardization and mass production, the machinery and use of the credit power—it is like a film run too fast through the cinema, with occasional slips and flashes and lacunae, so as to finish the show by closing time. It ought to be superficial—but somehow is not; the style, brilliant to the point of exasperation, makes a *tour de force* of the achievement. One wonders indeed, as one watches Mr. Robertson riding his clever metaphors on the brink of bathos, whether there is to be a Cambridge school of prose as well as economics; as witness this sort of thing: “The rats who can leave the sinking ship are, if less handsomely accommodated for the voyage, yet ultimately in a stronger position than the captain who must go down upon the bridge, and have less claim, therefore, to be entrusted with the manipulation of the wheel.” But there is shrewd insight and sound judgment under the literary cavorting. And for a writer whose immediate task is to exhibit in small compass the leading issues of a complex situation, the knack of happy epigram is no mean asset.

In the second half of the volume Mr. Robertson enters on a critical survey of capitalism, collectivism, communism, workers’ control, co-partnership and joint control. And it is here, if anywhere, that the shortcomings of his method are a source of weakness. The pace is almost too rapid for an adequate realization of the problems. For example, the principle is laid down that control is rightly associated with risk-bearing rather than mere ownership, since “the power of making decisions will be most wisely exercised if it rests in the hands of those who stand to lose most heavily if the decision turns out badly.” It is admitted, however, that on the one hand ownership is being increasingly divorced from risk-bearing without diminution of its economic advantage, and on the other that risks of a vital nature are borne by thousands of persons who have no share at all in the direction of industry. Another question rising from “capitalism’s Golden Rule” is whether, in such cases as the present railway control, the state can continue indefinitely to exercise the power of control without a larger assumption of the business risk by means of ownership. These and other problems are suggested rather than discussed—but discussion would obviously have been out of the question in a book of this size.

WILLIAM ORTON.

Smith College.

*The United States Employment Service: Its History, Activities and Organization.* By DARRELL H. SMITH. Institute for Government Research, Service monograph no. 28. (Baltimore: Johns Hopkins Press. 1923. Pp. xii, 130. \$1.00.)

The Service Monographs of the United States Government are intended to be descriptive only and not critical in any sense. Doubtless they serve a very useful purpose, but this method of study has obvious limitations. The monograph on the United States Employment Service, moreover, suffers from the further limitation that it is based entirely upon official, federal sources of information. This probably accounts for the omission of all references in the historical portions to the state and municipal employment offices, which became a part of the United States Employment Service after our entrance into the World War. These state and municipal offices were older, better organized and made many more placements than the federal employment offices in existence before the war. Yet here the United States Employment Service is treated as being merely an expansion of the employment office service for immigrants, begun in 1907 by the Bureau of Immigration and Naturalization. From a merely structural point of view this may be correct, but from a functional point of view it is certainly not more than half of the story.

Similarly misleading is the impression conveyed as to the relation of the United States Employment Service to the public employment offices now in existence. The placements made by all of these offices are credited to the United States Employment Service, which may be proper in view of the fact that they all have at least a nominal connection with this service. It is also mentioned that nearly all offices of the United States Employment Service are conducted in cooperation with the states or with the states and cities in which they are located. Nowhere, however, is there any statement of the precise nature of these cooperative agreements, nor any clear picture of the manner in which the employment offices connected with the United States Employment Service are conducted.

Wisconsin will serve as an illustration of the inadequacy of description. The ten public employment offices of this state are branches of the Employment Service. But all of these offices are conducted by the Industrial Commission of Wisconsin, every employee therein is selected by it, and all but two of them draw their entire pay from state funds. Even the "federal director" is a member of the Industrial Commission and not a federal employee in the ordinary sense. The director and the superintendents of the several employment offices are one dollar per year employees of the United States Employment Service; and it is these employees, plus the two clerks paid from federal funds, who are listed as constituting the

personnel of the employment offices in Wisconsin. From this list readers will conclude that there are 3 persons in the employment office in Milwaukee and 13 in the entire state (this monograph shows 14 employees, but one office listed has been discontinued); while in fact there are 14 employees in the Milwaukee office and 33 in the state, not counting the member of the Industrial Commission who acts as "federal director." Readers, also, will not understand that the state of Wisconsin spends \$45,000 each year upon its employment offices and the cities and counties in which they are located \$15,000 in addition, in contrast with \$1,800 contributed by the United States Employment Service, along with the use of federal forms and the franking privilege. These facts regarding Wisconsin are not exceptional, but are fairly typical of the relation of the United States Employment Service to the public employment offices throughout the country.

Somewhat similar inadequacies arise from the policy adopted in all monographs of this series of avoiding all criticisms. In this particular monograph this policy is carried to the extent of not even mentioning the sources and causes of the opposition which the United States Employment Service encountered after the armistice, which led Congress to reduce this service to little more than a shell. Nowhere is any mention made of the feeling of the employers' associations toward the Employment Service of the war time, nor of such policies as the refusal to send men to places on strike, which aroused the ire of employers. Nor is there any reference to the presidential order which exempted the Employment Service from the civil service law, and the disastrous results of this policy.

No attempt is made to subject the claims of the great services rendered by the United States Employment Service during the war time to any critical examination. This is so clearly outside of the scope which has been set for this series of monographs that no possible criticism can be made against the author upon this score. Yet the republication of these claims as if they were verities, renders timely a challenge of their accuracy. Again using Wisconsin as an illustration, it is an undeniable fact that the placements credited in the reports of the United States Employment Service as having been made in this state during the last four or five months of 1918 (when the placements reported both for Wisconsin and for the entire United States reached totals never before or since attained) included not only placements actually made by the employment offices, but so-called "factory placements" as well. These "factory placements" represented nothing more nor less than the number of men hired at the gate without passing through any employment office or in any manner coming in contact with the Employment Service, as reported by employers pursuant to orders from Washington. The inclusion of these "factory

placements" among the placements made by the employment offices clearly renders absolutely meaningless the statistics published by the United States Employment Service upon the work of the employment offices in Wisconsin during this period. It is not unlikely that statistics for other states are equally unreliable.

E. E. WITTE.

*Chief, Wisconsin Legislative Reference Library,  
Madison, Wis.*

*Le Lotte del Lavoro.* By L. EINAUDI. (Turin: Piero Gobetti. 1924. Pp. 277.)

This is an uncommonly scrupulous and thoughtful book. In form it is a collection of articles and papers contributed during a period of twenty-odd years to various Italian journals and turning in each instance on some current development. That the articles have anything in common is at first none too apparent. A textile strike gives opportunity for judgment of a rudimentary union effort. An outbreak by a union prompts reflections on methods of repression and on education. Socialism—is it perhaps a resuscitation of things supposed dead? What are the implications for industrial war and peace when both sides organize? Representation of economic interests in Parliament is asked for—toward an end clearly understood? What does welfare work accomplish? How are works councils related to happiness in labor? Goethe, studying the lazzaroni of Naples, had concluded that they are not loafers, but people who, in the conditions of their time, had attained a singularly successful adjustment of effort and enjoyment in life—are there not limitations in modern industry which are too little understood? These serve to indicate the range of topics discussed.

Bringing his essays together for republication as a book, Einaudi reflects that they have essential unity and were in fact inspired by common principles. So he writes another essay as an introduction to all the rest; and this essay it is, a sort of confession of faith, which students will find of chief interest.

Einaudi reveals himself as having "an invincible skepticism, an almost physical repugnance, for all provision that is made from the outside, for well-being sought by means of law, regulations, collectivism, paternalism." More positively, he has "lively sympathy for the efforts of those who seek to rise of themselves, who to this end fight, fall, come to their feet again, learning by their own efforts to make their way and to better themselves." Socialism, the doctrine, he dislikes, but he likes the sentiment often associated with it which has stimulated men to think, to discuss, and to read. His disapproval of arbitration rests on the fact that arbitrators supposedly neutral and



expert really impose conclusions on men qualified to reach better conclusions themselves. He deplores the tendency of fascist Italy to impose solutions on men in the interests of the nation. Many persons he holds to be socialists who are far from knowing that they are so, who even call themselves anti-socialists; others calling themselves socialists are often really liberals.

So much has been urged in the name of equilibrium that Einaudi is led to draw up a series of principles concerning the only equilibrium which as a liberal he believes worth striving for. It must be attained by discussion and contest, not imposed. Stability of equilibrium is more easily reached by men who have technical knowledge than by men whose character is primarily political. In order that an equilibrium should endure—and this is perhaps his principal point—it is necessary that it should be constantly threatened with not enduring. From a monopoly by either employers or laborers nothing is to be feared so long as no external aid is brought to the support of the monopoly; for then all experience suggests that it will not last.

ROBERT F. FOERSTER.

Princeton University.

#### NEW BOOKS

ADAMS, W. W. *Coal-mine fatalities in the United States, 1923*. Bureau of Mines, bull. 241. (Washington: Supt. Docs. 1924. Pp. 88.)

ALLIN-SMITH, H. B. *Changes in representative wages in British industry*. Supp. to Commerce Reports, Trade inf. bull. 247. (Washington: Supt. Docs. 1924. Pp. 25.)

ATKINS, W. E. and LASSWELL, H. D. *Labor attitudes and problems*. (New York: Prentice-Hall. 1924. Pp. iii, 520. \$5.)

BERTHELOT, M. *Works councils in Germany*. Studies and Reports, series B, no. 13. (Geneva: International Labour Office. 1924. Pp. 138. 2s. 6d.)

BURNETT-HURST, A. R. *Labour and housing in Bombay*. (London: P. S. King & Son. 1924. Pp. 164. 20s. 6d.)

HAMILTON, M. A. *England's labour rulers*. Foreword by S. K. RATCLIFFE. (New York: T. Seltzer. 1924. Pp. 136.)

KOPALD, S. *Rebellion in labor unions*. (New York: Boni & Liveright. 1924. Pp. 293. \$2.00.)

Dr. Kopald in this book gives the results of a study of four different insurgent movements within American trade unions. The insurgent movement among the miners of Illinois in the fall of 1919, the vacation movement among the printers in the book and job houses of New York City in the same year, the outlaw rail strike in 1920, and the newspaper web pressmen's strike in 1923. The first of these strikes—that of the Illinois miners—is treated with considerable detail and, although the others are summarized more briefly, the studies are all based quite fully on original sources, such as strike posters, bulletins, official letters, state-

ments, and reports. These sources of information have been supplemented by personal interviews and contacts with the men and officials on both sides.

The main thesis of the book seems to be that the persistence of out-law strikes shows that unauthorized strikes are one phase of a general revolt against the old-line leadership of the unions. But as the author herself says: "The dominance of the national organization in American unionism, and the centralization of power in it was counseled by long years of disastrous experience." The dominance of the national union has thus been a growth and has probably come to stay. The trend of the times may be behind the radicals and conservative officials may owe their power to official machines, but pure democracy gives way to representative democracy in both the state and the trade union. The book is well written and the author presents an interesting mass of detail. The reader, however, cannot see the forest on account of the trees, and there seems to be a certain lack of historical perspective.

GEORGE M. JANES.

LASCELLES, E. C. P. and BULLOCK, S. S. *Dock labour and decasualisation*. London School of Economics, Studies in economics and political science, no. 74. (London: P. S. King & Son. 1924. Pp. xi, 201. 10s. 6d.)

LEE, J. *The principles of industrial welfare*. (New York: Pitman. 1924. Pp. 102. \$1.50.)

LESCOHIER, D. D. *Sources of supply and conditions of employment of harvest labor in the wheat belt*. U. S. Dept. of Agriculture, bull. no. 1211. (Washington: Supt. Docs. 1924. Pp. 27.)

MAGRUDER, M. L. *Wages*. (New York: Harper & Bros. 1924. Pp. 308.)

TAYLOR, P. S. *The Sailors' Union of the Pacific*. (New York: The Ronald Press. 1923. Pp. vii, 188. \$2.50.)

The seamen's unions have had to face a problem quite different from those of most unions. Like other unions they have fought for "conditions" as well as for wages, but in their case the fight for conditions had to be waged in legislative assemblies. Enlargement of their legal rights and the removal of legal disabilities had to precede the effective use of the strike and collective bargaining. Among the several seamen's unions in America (and they have been divided geographically as well as by "craft"), the Sailors' Union of the Pacific has long stood out in aggressiveness and in accomplishments. Their story is clearly and interestingly told in this monograph. Dr. Taylor has not excluded from his narrative the romantic and picturesque atmosphere that envelops the men of whom he writes.

The long struggle to establish and maintain an organization, the ebb and flow of strength, with the factors that entered from time to time to strengthen or weaken the position of the union as a factor in determining wages and other terms of employment, are well described. The story of the fight in the political field complements that of the use of economic weapons. The bulk of the book is made up of an analytical history of the double struggle. The last two chapters are given over to a round-up of the structure, workings and policies of the organization.

D. A. McCABE.

- WELDEN, E. A. *Labor, wages and unemployment in France*. Supp. to Commerce Reports, Trade inf. bull. 262. (Washington: Supt. Docs. 1924. Pp. 10.)
- Die Arbeiterverteilung in der deutschen Industrie Ende 1921*: (Berlin: Verlag d. Reichsarbeitsblattes. 1924.)
- Bibliography of industrial hygiene*. No. 6, June, 1924. (Geneva: International Labour Office. 1924. Pp. 35.)
- Children in gainful occupations at the fourteenth census of the United States*. U. S. Dept. of Commerce, Bureau of the Census. (Washington: Supt. Docs. 1924. Pp. 276. 50c.)
- Factories bill, 1924 (consolidation and amendment)*. (London: H. M. Stationery Office. 1924. 4s.)
- Financial incentives for employees*. Report by the committee on remuneration for employees, with convention discussion. (New York: American Management Association. 1923. Pp. 30.)
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- Labour looking after agriculture—better farming: better business: better living. Labour and war pensions*. Can Labour Rule?—nos. 1 and 3. (London: Joint Labour Pub. Dept., 33 Eccleston Sq. 1924. Pp. 11, 12. 1d. each.)
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- List of references on child labor in the United States and Great Britain*. Washington: Lib. of Congress. 1924. Pp. 23, neostyled.)
- Löner och Levnadskostnader*. Sveriges Officiella Statistik. (Stockholm: Kungl. Boktryckeriet. P. A. Norstedt & Söner. 1924. Pp. 49.)
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*Is unemployment inevitable? An analysis and a forecast.* A continuation of the investigations embodied in *The Third Winter of Unemployment*, published in 1923. (London: Macmillan. 1924. Pp. viii, 388. 8s. 6d.)

*Wages, hours and employment of railroad workers.* Research report no. 70. (New York: National Industrial Conference Board. 1924. Pp. 80.)

### Money, Prices, Credit, and Banking

*Monetary Reform.* By JOHN MAYNARD KEYNES. (New York: Harcourt, Brace & Company. 1924. Pp. viii, 227.)

The writings of Mr. Keynes receive immediate and widespread attention, since he commands an effective style and also commonly has something striking and definite to say. In this book, it is a monetary revolution rather than monetary reform that he is advocating, though he would doubtless insist that several stages of the revolution have already been passed through during the course of the World War and the subsequent years. Nearly all countries have fallen away from the gold standard. Why seek to restore it? Far better abandon it completely and forever, and "regulate the supply of currency and credit with a view to maintaining, so far as possible, the stability of the internal price level."

Specific arrangements for handling a managed currency are presented merely in outline in a final chapter of thirty pages. All that precedes is in the main a forceful exposition of the damaging effects of both secular and cyclical instability in the general level of prices. Here familiar ground is covered, but particular mention should be made of the inclusion of an analysis of forward dealings in foreign exchange, which is perhaps the most valuable feature of the book.

The natural surprise of the reader at the scanty space given to the far-reaching monetary changes which Mr. Keynes has formulated is in a measure dispelled upon close scrutiny. It then becomes evident that to Mr. Keynes monetary and credit problems are of the simplest type. In his analysis, the gold standard implies a mechanical and even automatic expansion and contraction of the purchasing medium with every change in the supply of gold. It is intimated that the failure of prices in the United States to advance in consequence of the inflow of foreign gold is properly to be regarded as an example of the breakdown or abrogation of the gold standard. On the other hand, it is assumed that it is surely possible for a central bank by means of discount rates so to regulate the quantity of the purchasing medium as to establish a price level free from both secular and cyclical variations. The world is either altogether white or black; we must take either gold or the central bank as the exclusive price determining agent.

To this oversimplification of monetary problems is to be attributed

the failure to examine some very fundamental difficulties that would be encountered in handling a managed currency. No doubt, a central bank by pursuing a policy of unrestrained expansion can bring about a decided upward movement of prices, especially if government borrowing furnishes the basis for a considerable portion of its loans. It is quite another matter, however, to establish and maintain prices at a given level regardless of the varying conditions of supply and demand to which the production and marketing of goods and services are subject. A reduction in discount rates will not invariably be followed by a speedy increase in the demand for loans and a greater or even undiminished velocity of circulation of currency and deposits. It will not, as recent experience in the United States suggests, at a time when productive forces are not well balanced and when relative prices are in unstable equilibrium.

The endeavor to maintain a dead average level of prices would prove peculiarly difficult in a small country, such as Great Britain which imports large quantities of food and raw materials for its industries. In the case of a permanent shifting of relative foreign and domestic prices, a change in foreign exchange rates would furnish a corrective under the plan presented by Mr. Keynes. But in order to eliminate continual exchange uncertainty, his plan also provides as a stabilizing factor for the purchase and sale of gold at variable prices by the central bank. The burden of furnishing an offset to the fluctuations of foreign prices for periods of indeterminate length would necessarily therefore devolve upon domestic industry.

It would not be easy to designate a period more inopportune than the present for the adoption of a managed currency independent of gold. Industrial readjustment, and disordered government finances and currencies present problems which should not be further complicated by the uncertainties and weakened confidence which would be created by the introduction of unfamiliar monetary devices. While a general return to the gold standard does not promise the monetary perfection of which Mr. Keynes dreams, it ensures the very real and positive advantages of uniformity and public confidence. And, further, if present recognition of the evils of price instability persists, we may look confidently for the adoption of policies by central banks designed to moderate extreme cyclical price variations, leaving to the distant future the problem of regulating gold production should an excessive output become a positive danger.

O. M. W. SPRAGUE.

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## NEW BOOKS

ANDERSON, B. M., JR. *Cheap money, gold, and federal reserve bank policy.* Chase Econ. Bull., vol. IV, no. 3. (New York: Chase National Bank. 1924. Pp. 26.)

ANDRÉADES, A. *A history of the Bank of England.* (London: King. 1924. Pp. 455. 15s.)

BECKHART, B. H. *The discount policy of the federal reserve system.* (New York: Holt. 1924. Pp. xii, 604. \$6.)

BEHRENS, K. L. *Paper money in Maryland, 1727-1789.* Johns Hopkins University studies in historical and political science, series XLI, no. 1. (Baltimore: Johns Hopkins Univ. Press. 1923. Pp. 98.)

The principal purpose of the study is to ascertain the effect of paper issues on the prosperity of the people. For years tobacco was the chief medium of exchange; while trade was profitable there was little or no complaint of the use of tobacco for money purposes, but when the price began to decline, the effect of the depreciation of tobacco as a currency was keenly felt. Thus there arose a demand for the use of paper money. "Legislators, merchants, colonial officials and the public generally joined in the demand for change, and the movement for paper currency in Maryland grew directly from the unsatisfactory condition of tobacco. It is the age-old story of a state where business is static and debt and poverty are prevalent striving to satisfy the clamor of a debtor class for easy money, and to put new life into its industries. We may naturally expect, therefore, that any law for issuing paper currency will contain provisions for supplying easy money and furthering the interests of the tobacco growers."

The author concludes that on the whole the colony administered its earlier issues of paper money wisely. The outcome was not as successful in the case of later issues. This, however, was not due to lack of foresight on the part of the colonial government, but to uncontrollable circumstances growing out of the American Revolution. In addition to chapters on colonial paper, the monograph contains a discussion of the various issues during the revolution, and of the bank stock controversy—a question which arose out of the investment of certain funds of Maryland in Bank of England stock.

I. LIPPINCOTT.

BORDES, J. VAN WALDRE DE. *The Austrian crown: its depreciation and stabilisation.* (London: King. 1924. Pp. vii, 252. 15s.)

CAMPBELL, D., editor. *Sterling exchange for converting pounds, shillings, and pence into dollars and cents, \$4.25 advancing by one-half cent to \$5.05 per £ (supplement \$4.25 to \$4.55) and table of comparative new and old rates, also table giving U. S. value of the gold and silver currency of foreign countries.* New revised edition. (New York: Duncan Campbell Co. 1924.)

CHLEPNER, B. S. *La question du change en Belgique.* Reprint from *Revue Bancaire Belge*, nos. 2 and 3, Jan. and April, 1924. (Brussels: Imp. Vve Ferdinand Larcier. 1924. Pp. 40.)

The problem of the Belgian franc is not new, and the same factors which caused the fluctuation of the exchanges in other countries exer-



cised their influence in Belgium, too. Currency inflation caused by excessive public and private borrowing at the central bank of issue, low discount rates giving special encouragement to such borrowing, the unfavorable international balance of payments, and speculation in the foreign exchanges are the chief causes of the depreciation of the franc, and are carefully reviewed by the author. Although these factors were primarily responsible for the depreciation of the Belgian exchange rate, the fact is often overlooked that movements in this currency are largely governed by the fluctuation of the French franc, with which it has a decided tendency to move in sympathy. By the same token, it is largely subject to the status of the reparations problem.

In discussing the remedies, it is only natural that the author should turn first to the legislation restricting free trading in exchanges. After a brief review of the governmental regulations since the outbreak of the war, the author comes to the conclusion that, although such legislative acts as the prohibition of the export of capital and speculation in exchanges may prove of some effectiveness, they should not be carried too far, and no illusions should be entertained as to the real effects they bring about.

The only remedies which would lead to the stabilization of the Belgian exchanges, in his view, are the adoption of measures leading to the economic stabilization of the country, and especially a satisfactory solution of the reparations question.

MARCUS NADLER.

COLLINS, J. H. *Ninety years of the Greenwich Savings Bank.* (New York: Greenwich Savings Bank. 1923. Pp. 73.)

DIEUDONNÉ, A. *Les monnaies françaises.* (Paris: Payot. 1924. Pp. 153. 5 fr.)

An account of the French coins from the time of the Gauls to the present day, with a few illustrations and a bibliography.

EDWARDS, G. W. *Financing agricultural exports from the United States.* Supp. to Commerce Reports, Trade inf. bull. 241. (Washington: Supt. Docs. 1924. Pp. 46.)

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LANSBURGH, A. *Die Politik der Reichsbank und die Reichsschatzanweisungen nach dem Kriege.* (Munich: Duncker & Humblot. 1924. Pp. 54.)

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## Public Finance, Taxation, and Tariff

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- ALEXANDER, C., compiler. *Bibliography on educational finance.* Reviewed and presented by the Educational Finance Inquiry Commission, under the auspices of the American Council on Education. Vol. IV. (New York: Macmillan. 1924. Pp. vi, 257. \$1.)
- BURTON, J. H. *Local authority finance, accounts, and auditing.* (London: Gee & Co. 1923. Pp. viii, 369. 15s. 6d.)
- CLIFF, W. H. *The effect of the tariff on what women buy.* (Boston: W. H. Cliff, Home Market Club. 1924. Pp. 15.)
- COOLEY, T. M. *The law of taxation.* Fourth edition. (Chicago: Callaghan & Co. 1924.)
- ELY, R. T. *Taxation of farm lands.* Address delivered before the Wisconsin State Development Congress, Duluth, Minn., January 24, 1924. (Madison, Wis.: Author. 1924. Pp. 28.)
- FETTER, F. W. and CHALMERS, H. *Foreign import duties on wheat, wheat flour, meat and meat products.* Supp. to Commerce Reports, Trade inf. bull. 233. (Washington: Supt. Docs. 1924. Pp. 37.)
- FISCHER, J. *Das Steuerwesen des Deutschen Reiches.* (Stuttgart: Kuhlhammer. 1924. Pp. viii, 186.)
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- HOLCOMB, A. E., editor. *Proceedings of the sixteenth annual conference on taxation under the auspices of the National Tax Association, held at White Sulphur Springs, W. Va., Sept. 24-27, 1923.* (New York: National Tax Assoc. 1924. Pp. 471.)
- KIERNAN, T. J. *A study in national finance.* (Dublin: Talbot Press; London: P. S. King. 1923. 2s. 6d.)
- LIV, T. M. *Modern tariff policies with special reference to China.* Doctor's thesis, Columbia University. (New York: Alliance Print. Corp. 1924. Pp. ix, 140.)
- MACLEAN, H. C. *Italian tax reforms.* Supp. to Commerce Reports, Trade inf. bull. 258. (Washington: Supt. Docs. 1924. Pp. 23.)
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- MOOD, J. R. *Turkey's foreign debt.* Supp. to Commerce Reports, Trade inf. bull. 268. (Washington: Supt. Docs. 1924. Pp. 16.)
- MORRISON, H. C., compiler. *The financing of public schools in the state of Illinois.* Reviewed and presented by the Educational Finance Inquiry Commission under the auspices of the American Council on Edu-

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A. G.

LOUCKS, V. R. *An argument against branch banking*. An address. (Chicago: Chicago and Cook County Bankers Assoc., 208 La Salle St. 1924.)

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MISES, L. *Theorie des Geldes und der Umlaufsmittel*. Second, revised edition. (Munich: Duncker & Humblot. 1924. Pp. xv, 420.)

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SCROGGS, W. O. *A century of banking progress*. (New York: Doubleday; Page. 1924. Pp. vii, 333. \$3.50.)

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WERNLÉ, G. *L'avenir du franc, étude pratique sur le change*. (Paris: Dunod. 1924. Pp. xii, 104. 4.50 fr.)

*Federal Farm Loan act amendments, rules and regulations*. (Washington: Federal Farm Loan Bureau. 1924. 10c.)

*Federal intermediate credit banks*. (Chicago: A. G. Becker & Co. 1924. Pp. 14.)

*The leading New York banks: an eleven year comparison*. (Hartford, Conn.: Conning & Co. 1924. Pp. 27.)

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cation, Washington, D. C. Vol. IX. (New York: Macmillan. 1924. Pp. xiii, 162. \$1.)

NELSON, H. B. *The Wisconsin income tax law, interpretation, rulings and court decisions*. Second edition, revised and enlarged. (Milwaukee: Trade Press Pub. Co. 1924. Pp. 314.)

REEVES, F. W. *The political unit of public school finance in Illinois*. A report reviewed and presented by the Educational Finance Inquiry Commission, under the auspices of the American Council on Education. (New York: Macmillan. 1924. Pp. 166. \$1.)

SELIGMAN, E. R. A. and MOON, P. T., editors. *Wealth and taxation*. Proceedings of American Academy of Political Science, vol. xi, no. 1, May, 1924. (New York: Am. Academy of Pol. Sci., 116th St. and Broadway. 1924. Pp. 156. \$1.50.)

STAMP, J. C. *Current problems in finance and government*. (London: P. S. King. 1924. 10s. 6d.) -

WHITE, J. D. *Land-value policy*. (London: United Committee for the Taxation of Land Values, 11 Tothill St. 1924. Pp. vii, 205. 2s.)

The opening paragraph on the paper jacket covering this book describes it as follows: "This work is intended as a handbook to the policy of taxing land-values and untaxing houses and other improvements, and of applying this policy to both national and local taxation." In substance it is a presentation of the well-known single tax theory. It is clearly but uncritically presented. In the introduction, for example, it is stated: "Justice requires that all the people should have equal rights to the land which Nature has provided." This does not tell us very much, and its implication is something that has not been accepted generally either by economists or by those who framed the institutions and laws which govern property in land. If we examine into the history of land policies in the United States, it becomes clear that those who are responsible for the institution of private property in land in our country have held that private property, as we ordinarily understand it, is more conducive to the general welfare than public property or the system which would appropriate land values for public use.

The book also contains an account of the progress which the writer thinks is being made in land value legislation towards appropriation of land values through systems of taxation. This account of legislation is interesting, but quite uncritical. The author speaks about the legislation in Vancouver lessening the tax on improvements and increasing the tax on land values, but takes no account of what many regard as the disastrous effects of this measure.

R. T. ELY.

WIGHT, E. V. D. and WOLFE, A. J. *Taxation in Belgium*. Supp. to Commerce Reports, Trade inf. bull. 249. (Washington: Supt. Docs. 1924. Pp. 23.)

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*Federal income tax index.* Supplement to vol. I, Jan. 1, 1922, to April 1, 1924. Compiled by staff of accountants, lawyers and income tax specialists. (Newark, N. J.: Income Tax Index Service. 1924. Pp. 474.)

*Financial statistics of states, 1922.* Prepared for the Census Bureau by M. J. HOLE, under supervision of S. M. GOGAN and L. A. CARRUTHERS. (Washington: Supt. Docs. 1924. 10c.)

*The government of Kentucky.* Report of the Efficiency Commission. Two vols. (Frankfort, Ky.: Efficiency Commission. 1924. Pp. 672; 707.)

In 1922, the legislature of Kentucky authorized the appointment of an efficiency committee to make a general survey of the work of the federal administrative departments and boards which receive public funds, and to make inquiry into existing and prospective sources of income. The commission under date of January 1, 1924, made an exhaustive report which covers the finances and financial administration; revenue and taxation of the state; the operation of the executive offices; public welfare, agricultural, conservation, business and labor welfare agencies; and includes chapters on the general assembly, judiciary, county government, educational system, libraries and other branches of governmental activity. Among the special counselors engaged was Dr. Jacob Viner in the field of taxation.

*Income taxes in the British dominions.* Supplement no. 2. Compiled in the Inland Revenue Dept., London. (London: H. M. Stationery Office. 1924. 2s.)

A digest of the laws imposing income taxes and cognate taxes in the British dominions, colonies, protectorates, etc.

*International Conference on the Taxation of Land Values, Oxford, England, 1923: official report of proceedings.* (London: United Committee for the Taxation of Land Values, 11, Tothill St. 1924. Pp. 68.)

*The investor's income tax hand book.* (New York: William R. Compton Co., 14 Wall St. 1924. Pp. 60.)

*Public school finances in cities, villages under superintendents and other villages maintaining academic departments; also five-year tables showing total finances for all public school for the school year ending July 31, 1922.* Bulletin for Sept. 1, 1923. (Albany: University of the State of New York. 1923. Pp. 102.)

*Questions and answers on federal tax laws, problems affecting individuals, partnerships and corporations* (Jan., 1924). *Questions and answers on New York state income tax laws* (Feb., 1924). (New York: Irving Bank-Columbia Trust Co. 1924. Pp. 144; 64.)

*Report of the National Tax Relief Convention held in Chicago, November, 1923.* (Chicago: Manufacturers and Merchants Federal Tax League, 1346 Altgeld St. 1924. Pp. 367. \$2.)

*Revenue act of 1924.* (New York: Guaranty Trust Co., 140 Broadway. 1924. Pp. 238.)

*Revenue act of 1924.* (Chicago: Commerce Clearing House, 231 S. La Salle St. 1924. Pp. 148.)

*The tax problem in Wisconsin. Studies in taxation and public finance.* (New York: National Industrial Conference Board. 1924. Pp. viii, 163. \$2.50.)

## Population and Migration

*Population Problems.* By E. B. REUTER. Lippincott's sociological series, edited by E. C. HAYES. (Philadelphia: J. B. Lippincott Company. 1923. Pp. xvii, 338. \$2.00.)

*The Problem of Population.* By HAROLD COX. (New York: G. P. Putnam's Sons. 1923. Pp. ix, 244. \$2.50.)

As a general outline survey of population problems and especially as a textbook, the first of these is undoubtedly to be regarded as the most promising book on the subject which has appeared since the world war.

About two thirds of the volume is devoted to the quantitative aspect of the question, the rest to problems of quality. On the latter subject the author shows admirable moderation and caution. It is evident that he senses the bearing of modern psychology and social psychology on the problem and that he perceives that recent advances in the study of the learning process and the current scientific skepticism as to instincts and inherited traits must give the selectionists, the eugenists, and the racialists something weighty to ponder. Even as to innate racial superiorities and inferiorities, he exhibits a refreshing skepticism, which was not so evident in his book, *The Mulatto*. One feels that the present volume can be put into the hands of immature students, with confidence in its scientific quality.

The chapters dealing with the quantitative problems are in a way less satisfactory. The organization could be improved. While thought has evidently been taken not to tire the student with unnecessary statistics, the treatment is preponderantly factual. This of course is not a fault, scientifically speaking, if it does not lead to superficiality. In view of the purpose of the book, the author may be cleared of the last-mentioned charge, although an economist would go into certain matters more deeply than he has done. On the other hand, the average economist would doubtless omit, through lack of acquaintance, treatment of some of the significantly important psychological and social factors to which Professor Reuter, fortunately for a balanced view of the subject, calls attention.

His discussion of Malthus is in some respects unsatisfactory and hardly shows either the same objectivity as the rest of the book or a fair appreciation of Malthus' contribution. In fact, however, after some slighting remarks in chapter 4, he practically reintroduces the main elements of Malthus' theory in chapters 7 and 8. The point of view in the treatment of the declining birth rate is eminently sane. The cause of the decline is simple and obvious. People do not want so many children (for reasons which are adequately outlined), and, with spreading knowledge of contraception, simply do not have them.

In the brief chapter on immigration he gives the arguments which seem conclusive against Walker's theory.

The criticism might be made that the book will tend to diffuse the attention of the student. However, such a general survey is an essential basis for more concentrated and critical study. Professor Reuter claims no originality for his matter. Originality is not needful for the purpose he has in hand. Yet he has performed a valuable service in the skilful way in which he has gathered into one moderate-sized volume the many aspects of the population problem, and put them before the student in readable form.

There is an "editor's introduction" by Professor Hayes, who also inserts two wholly unnecessary footnotes, expressive of his own opinion, on pages 74, 182. It may pertinently be asked whether it is the function of the editor of a series of sociological textbooks to inject himself into any of them. The bibliographies appended to the various chapters are not extensive, but are selected with insight.

The editor of the *Edinburgh Review* presents, in *The Problem of Population*, in a style which permits the most non-technically trained reader to follow with ease, the case for birth control. And the case is so well presented, with so good a background of knowledge of the population problem in its economic as well as its moral aspects, that little is left for others to say.

Mr. Cox first calls attention to the arithmetic of the problem. The naive popular idea that a declining birth rate means a decreasing population is noted. It shows the superficiality of public opinion when people get alarmed over the declining birth rate, for as a matter of fact the population is increasing in absolute numbers faster than it has ever done before. The significance of the rate of natural increase is set forth with admirable clearness and force.

On the economic phase of the problem, he says it is purposeless to argue that the prospect of depleting natural resources is remote. A valid population theory must consider remote as well as immediate contingencies. As a matter of fact, however, from the point of view of individual countries, the prospect of depletion is in many cases not very remote. This is especially true for England, as others have shown more fully. Malthus' famous arithmetical-geometric ratios, he holds, gave a too favorable statement of the case, for food does not actually increase in arithmetical ratio.

He touches suggestively on the problem of the distribution of population, and shows the practical impossibility of solving the housing and transportation problems as long as population continues to pullulate and congregate in overgrown urban centers. He easily

shows the futility of emigration as a solution of the English surplus-population problem.

Discussing war and population, he makes some pointed remarks with regard to the United States and Japan. "Thus the Americans, while objecting for trade reasons to the spreading of the Japanese over the continent of Asia, object for racial reasons to Japanese settlement within the United States. The double problem may be discussed ad infinitum but it will not be settled so long as the fundamental causes that have given rise to the problem remain." He sees little hope of avoiding future wars until the nations agree to restrict the birth rate. While he may not be entirely convincing in his evidence that fear of overpopulation was a leading cause of the last war, it is difficult not to share his pessimism in any peace plan which does not include an intelligent handling of the population problem from an international standpoint.

He gives cogent reasons why such measures as state subsidies to mothers cannot obviate the necessity for birth control, and shows that birth control should be recognized by socialists as an indispensable condition to the success of any socialist state.

Most delightfully incisive is his dissection of the logic of the theological opponents of birth control. The inconsistency and essential immorality of their position could hardly be put more convincingly, yet without passion.

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#### NEW BOOKS

- BUELL, R. L. *Japanese immigration*. (Boston: World Peace Foundation, 40 Mt. Vernon St. 1924. Pp. 281-390. 10c.)
- HUNTINGTON, E. *The character of races*. (New York: Scribner's. 1924. \$6.)
- KEY, H. *European bankruptcy and emigration*. (London: Methuen. 1924. Pp. 169.)
- STODDARD, L. *Racial relatives in Europe*. (New York: Scribner's. 1924. \$3.)
- SWINBURNE, J. *Population and the social problem*. (London: Geo. Allen & Unwin. 1924. 15s.)
- Bewegung der Bevölkerung in den Jahren 1920 und 1921 mit vorläufigen Angaben für die Jahre 1922 und 1923*. (Berlin: Puttkammer & Mühlbrecht. 1924.)
- Births, deaths and marriages: statistical review of the registrar-general, England and Wales, for 1923*. Part I, Medical. (London: H. M. Stationery Office. 1924. 15s.)
- Charts on immigration and emigration*. Second series. (Washington: Chamber of Commerce of the U. S., Civic Development Dept. 1924.)

*Indian emigration.* India of today, vol. V. (New York: Oxford Univ. Press. 1924. Pp. 134. \$1.)

*The negro in industry.* A bibliography. Bulletin no. 66. (New York: Russell Sage Foundation Library, 130 E. Twenty-second St. 1924. 10c.)

## Social Problems and Reforms

### NEW BOOKS

ANDREWS, C. F. *Christ and labour.* (New York: Doran. 1924. Pp. 192. \$1.75.)

BIRKENHEAD, F. E. S., and others. *Approaches to world problems.* Institute of Politics publications, Williams College. (New Haven, Conn.: Yale Univ. Press. 1924. Pp. 126. \$1.50.)

BOWER, L. F. *The economic waste of sin.* (New York: Abingdon. 1924. Pp. 272. \$1.75.)

BYINGTON, M. F. *What social workers should know about their own communities; an outline.* Fourth edition, rewritten. (New York: Charity Organization Dept., Russell Sage Foundation. 1924. Pp. 66.)

FISHER, H. *The common weal.* (New York: Oxford University Press. 1924. Pp. 296. \$2.50.)

Like Viscount Morley in his volume, *On Politics and History*, Mr. Fisher is in its best sense the "scholar in politics." To academic distinctions, he has added a parliamentary as well as high administrative experience. The new volume, *The Common Weal*, reproduces lectures delivered at the University of Glasgow, 1923. If there is something less of mellow wisdom than in Morley, Mr. Fisher offers us compensations. These are partly indicated in the range and up-to-dateness of the chapters: The call of the state; Social debt; The claims of body and mind; The claims of neighborhood; Patriotism; Problems in political obedience; The claims of race; The ethics of wealth; Nationalism and internationalism; International law; The reduction of armaments; International relations.

A characteristic post-war note is at once struck in a French phrase which translates; "In spite of all the efforts of a philosophic age, the most civilized empires will always be as near to barbarism as the most polished steel is to rust." No chapter is without the sense of our most advanced peoples uneasily poised between security and disaster. A little too apparent is the purpose to make the message optimistic even in the face of sinister evidence produced by the author. As a hard-headed administrator, with no illusions about the exigencies of practical politics, he states the issues one by one.

As to our competence in dealing with them, especially the more formidable ones on the international field, the terrible *if* has frequent use. Throughout, there is a wholly honest and highly intelligent attempt to answer these questions. The real malady he finds to be moral and political, not economic. This indicates his extreme caution in accepting all socialistic extensions of power to the state. Every abstraction in politics is an offense to him. Inch by inch and case by case, the socialist must furnish evidence. This caution seems to spring from the field of education where his experience has been put to the severest test.

He is frank to admit the origin of his doubt of all large schemes. It is our ignorance of the future.

His many appeals to historic events have the obvious purpose of warning us against all hasty and overexpectant reform. This is seen in his choice of illustrations, as in chapter 7, "The claims of race." He takes sides with that increasing number of serious students who see perhaps the most momentous of all issues in the pressure and control of populations. "The true and only prophylactic against a fatal relapse and degeneracy will be found in the temper of the leaders of public opinion in the principal states of the world. If they are prudent; if they are prepared to recommend the sacrifices in national pride and susceptibility which will from time to time be demanded to save the general peace; if they are strong enough and wise enough to keep steadily before their eyes the great cause of human solidarity as a thing valuable in itself and only under the gravest and most exceptional provocation to be weakened and impaired—then the forces making for a common civilization may work their way without impediment or rupture."

Even on these hopes a chill is cast by the expressed belief that the evils of nationalism are "steadily increasing in concentration and intensity," making the political education of the white races for an uncertain future harder than ever.

JOHN GRAHAM BROOKS.

FISHER, MRS. H. A. L. *The economic position of the married woman.* (New York: Oxford Univ. Press. 1924. Pp. 30. 50c.)

The Stansfield Trust lecture, University of London.

FITCH, J. A. *The causes of industrial unrest.* (New York: Harper & Bros. 1924. Pp. xiii, 424. \$3.)

FLEAGLE, F. K. *Social problems in Porto Rico.* (New York: D. C. Heath & Co. 1924. Pp. iii, 139.)

Includes chapters on overpopulation, the family, rural housing conditions, woman and child labor, industries, the land problem and unemployment, poverty, and rural schools.

FORDHAM, M. *The rebuilding of rural England.* (London: Hutchinson & Co. 1924. 10s. 6d.)

FULLER, E., compiler. *An international year book of child care and protection.* (London and New York: Longmans, Green. 1924. \$2.50.)

JOHNSON, F. E. and HOLT, A. E. *Christian ideals in industry.* (New York: The Methodist Book Concern. 1924. Pp. 136.)

JOHNSTON, G. A. *International social progress: the work of the International Labour Organization of the League of Nations.* (New York: Macmillan. 1924. Pp. 263.)

LAMBERT, F. B. *The care of London's children.* A record of the work of the Municipal Reform party on the London County Council. (London: London Municipal Society and National Union of Ratepayers' Associations, Palace Chambers, Westminster. 1924. Pp. 8. 1d.)

LEWINSKI-CORWIN, E. H. *The hospital situation in Greater New York.* Report of a survey of hospitals in New York City by the Public Health Committee of the New York Academy of Medicine. (New York: Putnam's. 1924. Pp. xvi, 356. \$5.)



LEWIS, E. L. *The children of the unskilled*. (London: King. 1924. Pp. 107.)

LINDEMAN, E. C. *Social discovery: an approach to the study of functional groups*. Introduction by HERBERT CROLY. (New York: Republic Pub. Co. 1924. Pp. v, 375. \$1.)

MACDONALD, W. *The intellectual worker and his work*. (New York: Macmillan Co. 1924. Pp. 351. \$2.50.)

What are the grounds for a labor movement among professional people? These "creative" workers (to be distinguished from the other white-collared or black-coated salariat, whose jobs are more routine and less skilled) are scattered, of course, through numerous occupations; they are accountants, actors, architects, artists, authors, engineers, scientists, teachers, and so on, as well as members of the older "learned professions" of law, ministry, and medicine. The author (a well-known American ex-professor of social sciences, who has occupied himself in Europe for the past several years) attempts to show that these intellectuals can improve their material status, and can emancipate themselves from the too-arbitrary control of their employers, by organizing more thoroughly and more largely on trade union lines.

The argument runs somewhat as follows: Intellectual workers should realize that they are fundamentally wage-earners. Analysis of the conditions under which they now work shows that, in spite of the diversity of their employers (individual clients, corporations, governmental or philanthropic agencies), most of such workers find the terms of their employment much subject to superior bargaining power and arbitrary action of their employers. The obscure author, for example, is obviously a weak bargainer with publishers; professionals generally are thought to be underpaid; and most of them are liable, at any time, to be victimized for opinions which their colleagues wish them to be free to hold and express. That such conditions may be improved by organization is shown: first, by the accomplishments of the older professional societies in law and medicine; and, still more, by the record of the numerous newer and more aggressive European unions of intellectual workers, such as authors, engineers, journalists, and scientific workers. The American Association of University Professors is criticized for too little solidarity in defense of academic freedom.

The wealth of cosmopolitan information which Mr. MacDonald here assembles on the economic features of a large number of intellectual employments, and the judicial temper in which he interprets these data, make the volume exceptionally interesting to professionals generally, as well as to students of labor economics. Many of us will discount somewhat his trade unionist economics; for example, this passage: "Why did the wages of machinists, plumbers, and carpenters go up by leaps and bounds during the war? Because the work of machinists, plumbers, and carpenters was everywhere recognized as indispensable, and because the workers in those trades were organized and could enforce their demands by their collective strength. Why did the wages of teachers and journalists remain unchanged, or change but little, notwithstanding the alarming increase in the cost of living? For no other reason than because teaching and journalism were regarded as less necessary socially than skilled manual labour, and because neither teachers nor journalists

had as yet developed professional organizations sufficiently powerful to enforce just claims to economic recognition" (p. 247). We shall find in his discussion, nevertheless, many hints (like those concerning market information, or standard contracts) which are very helpful toward a sound theory of the role of organization among intellectuals.

Z. CLARK DICKINSON.

MORSE, H. *The social survey in town and country areas*. A statistical and graphic summary of survey data from 179 typical counties with an analysis of the aim and method of the social survey as applied to the study of town and country problems. (New York: Doran. 1924. Pp. 134. \$2.50.)

SHADWELL, A. *Drink in 1914-22: a lesson in control*. (London and New York: Longmans, Green. 1923. Pp. xi, 245. 10s. 6d.)

SHULTZ, W. J. *The humane movement in the United States, 1910-1922*. Columbia University studies in history, economics and public law, vol. CXIII, no. 1. (New York: Longmans, Green. 1924. Pp. 319.)

STAFFORD, J. I. *Your business and mine; a study in social, economic and political questions in the United States of America*. (Philadelphia: Dorrance & Co. 1924. Pp. 223.)

THOM, D. A. *Habit clinics for the child of preschool age: their organization and practical value*. Children's Bureau, pub. 135. (Washington: Supt. Docs. 1924. Pp. 71.)

TOWNE, E. T. *Social problems, a study of present-day social conditions*. (New York: Macmillan. 1924. Pp. xviii, 406.)

WHEATLEY, J. *Houses to let*. (London: Trades Union Congress and Labour Party, 33 Eccleston Sq. 1924. 1d.)

A speech in exposition of Labour's fifteen years' housing program, by the Minister of Health.

*Coöperative reconstruction; a report of the work accomplished in Serbia*. (New York: Serbian Welfare Association of Am. 1924. Pp. xxi, 112.)

*Country community education*. Proceedings of the fifth National Country Life Conference. (New York: Am. Country Life Assoc. 1924. Pp. 212.)

*European housing problems since the war*. Studies and reports, series G. no. 1. (Geneva: Intern. Lab. Office. 1924. Pp. 484. \$1.50.)

*Famille, travail, épargne: manuel de vie pratique*. I, *Hygiène sociale*. II, *Economie et prévoyance*. (Paris: Editions Spes, 17 rue Soufflot. 1924. Pp. 51; 30.)

Short pamphlets giving some instruction in hygiene and in domestic economy and saving.

*The hospital problem*. (London: Labour Party, 33, Eccleston Sq. 1924. Pp. 12. 6d.)

The report of a special conference of labor, hospital, medical and kindred societies, held in the Caxton Hall, Westminster, on April 28 and 29, 1924.

*Industry and property*. Report presented to the Conference on Christian Politics, Economics and Citizenship at Birmingham, Eng., April, 1924. Vol. 9. (New York: Longmans, Green. 1924. Pp. 226. \$1.)

- Leisure.* Report presented to the Conference on Christian Politics, Economics and Citizenship at Birmingham, Eng., April, 1924. Vol. 5. (New York: Longmans, Green. 1924. Pp. 125. 70c.)
- Michigan State Welfare Commission, 1921-1922, twenty-sixth biennial report.* (Lansing, Mich.: State Welfare Comm. 1924. Pp. 67.)
- Municipal index, 1924; a yearbook for city, town and county officials and for all others interested in municipal progress and public improvement activities.* (New York: Am. City Mag., 443 Fourth Ave. Pp. 407. \$4.)
- New York State Commission to examine laws relating to child welfare, second report.* In two parts. Part II, *Manual of child welfare laws.* (Albany: Commission. 1923. Pp. 460, continuously pagged.)
- Proceedings of the National Conference of Social Work at the fiftieth anniversary session held in Washington, D. C., May 16-23, 1923.* (Chicago: Univ. of Chicago Press. 1923. Pp. vi, 566.)
- The promotion of the welfare and hygiene of maternity and infancy.* The administration of the act of Congress of Nov., 21, 1921, for the period March 20, 1922, to June 30, 1923. Children's Bureau, pub. no. 187. (Washington: Supt. Docs. 1924. Pp. 42.)
- Social function of the church.* Report presented to the Conference on Christian Politics, Economics, and Citizenship at Birmingham, Eng., April, 1924. (New York: Longmans, Green. 1924. Pp. 274. \$1.)
- Town and country relations.* Proceedings of the fourth National Country Life Conference. (New York: Am. Country Life Assoc. 1924. Pp. 222.)
- Vocational guidance and placement work for juniors in New York City.* Report of a survey made under direction of the Committee on Vocational Guidance of the Children's Welfare Federation. (New York: Children's Welfare Federation. 1923.)
- Workers education year book, 1924.* Including a complete report of proceedings, Third National Convention on Workers Education in the United States. (New York: Workers Education Bureau of Am., 476 W. 24th St. 1924. Pp. 206.)

## Insurance and Pensions

### NEW BOOKS

- ALEXANDER, W. *One hundred ways of canvassing for life insurance.* (New York: Spectator Co. 1924. Pp. 361. \$3.50.)
- ARTMAN, S. R. *Indiana workmen's compensation manual; history and principles, rules and procedure, tables and forms.* (Indianapolis: Barnett & Patton. 1924. Pp. 349.)
- BEVERIDGE, W. *Insurance for all and everything.* "New way" series. (London: Daily News. 1924. 6d.)
- BREIBY, W. *The essence of life insurance; a clear explanation of the basic principles of life insurance, with simple arithmetical demonstrations.* (New York: Spectator Co., 185 William St. 1924. Pp. xiv, 167. \$3.)

- COHEN, J. L. *Social insurance unified, and other essays.* (London: King. 1924. Pp. 157. 5s.)
- COSTE, A. *Le projet de loi sur les assurances sociales. Ses rapports avec l'agriculture.* (Paris: Imp. Bailet, 9, rue du Pont-Louis-Philippe. 1924.)
- DEGAS, M. *Les assurances sociales.* (Paris: Dunod. 1924. Pp. xvi, 325.)
- FOXWORTHY, F. W., editor. *Life insurance examination.* (St. Louis: C. V. Mosby Co. 1924. Pp. 738.)
- GORDON, A. *Social insurance: what it is and what it might be.* (London: Fabian Soc. and Geo. Allen & Unwin. 1924. 6s.)
- GRAZIANI, A. *La riassicurazione (nozione tecnica e giuridica).* (Naples: Author. 1924.)  
Keen analysis of the economic and legal structure of insurance with extended criticism of international literature.
- JONES, W. U. *The button industry.* (New York: Pitman. 1924. Pp. 122. \$1.)
- LYMAN, T. U. *Underwriting of automobiles for personal injury liability and property damage.* Howe readings on insurance, no. 4. (New York: Insurance Society of N. Y. 1924. Pp. 15.)
- REES, F. H. *The loss adjustments of automobile liability, collision and property damage.* Howe readings on insurance, no. 5. (New York: Insurance Society of New York. 1924. Pp. 26.)
- RICHARDS, E. G. *The experience grading and rating schedule, a system of fire insurance rate making, based upon average fire costs.* Revised edition with supplement to *Underwriting Profits.* (New York: D. Van Nostrand Co. 1924. Pp. xiv, 157.)
- RICHARDS, K. E., editor. *Pennsylvania: laws, statutes.* Workmen's compensation supplement to Dept. reports of Pa. (Harrisburg, Pa.: Workmen's Compensation Dept. 1924. Pp. 469.)
- Ledger statements.* (Hartford, Conn.: Conn. Mutual Life Insurance Co. 1924. Pp. 175.)
- Proceedings of the fifty-eighth annual meeting of the National Board of Fire Underwriters, May 22, 1924.* (New York: National Board of Fire Underwriters, 76 William St. 1924. Pp. 156.)
- Seventy-five years of fire insurance; an account of the origin and development of the Springfield Fire and Marine Insurance Company of Springfield, Mass., in commemoration of its seventy-fifth anniversary, 1924.* (Springfield, Mass.: Fire and Marine Ins. Co. 1924. Pp. 72.)

### Pauperism, Charities, and Relief Measures

#### NEW BOOKS

- PENCIOLELLI, P. *Code de l'assistance.* (Paris: Dunod. 1924. 6.50 fr.)
- ZOLLMANN, C. F. G. *American law of charities.* (Milwaukee, Wis.: Bruce Pub. Co. 1924. Pp. lxviii, 623. \$9.)

*Foster-home care for dependent children.* Children's Bureau, pub. no. 136. (Washington: Supt. Docs. 1924. Pp. 275.)

## Socialism and Co-operative Enterprises

### NEW BOOKS

BLANC, E. T. *The coöperative movement in Russia.* (New York: Macmillan. 1924. Pp. xi, 324. \$2.50.)

The mysterious Russia of the last six years is beginning to emerge from its clouded horizons and to suffer itself to be explained to the western world. Mrs. Blanc's volume on coöperation is the only detailed account of the Russian movement which has been published in English. Coming, as it does, at a time when all information about the Russia of the last decade is eagerly absorbed, it would be assured a general reading even if its scope were narrower and its point of view more limited. The book deserves the consideration of students on the ground that it is plainly the product of an intelligent and seasoned observer of Russian economic life.

The author treats the movement chronologically, introducing it with a brief and admirable survey of industrial Russia in the nineteenth century. The various types of coöperation, agricultural, industrial, consumers' and credit, are then traced through the past sixty years; from the liberation of the serfs to 1900; through the first fourteen years of the twentieth century, when producers' coöperation in agriculture was coming to the fore; the early years of the World War with their unprecedented growth of the various types of societies; the first bolshevist period when coöperatives declined to the position of a subservient part of the bolshevist machinery; and, finally, the new economic policy and the consequent restoration of a more independent role.

Mrs. Blanc pauses for generalization and interpretation at only a few points. She accounts for the late development of agricultural coöperation in a country which is preëminently dependent upon agriculture, by attributing it to the ignorance and lack of initiative of a people only recently emancipated from serfdom. The development of all kinds of coöperative enterprise during the early years of the World War is easily the result of seizing the opportunities offered when much of the ordinary marketing machinery of the country broke down. Some of the effects of the new economic policy on the coöperatives, especially the effect on their relations with trade unions, were too new at the time of writing to be treated in any conclusive way, but the inherent difficulties of the new arrangements are hinted at.

The task of outlining and describing such a movement as this is a difficult one in itself. Conflicting reports must be disentangled and fragmentary statistics must be combined with shrewd estimates of the width of their applicability. All this must be done for a country which is vast and differentiated economically and geographically far beyond the westerner's imagining. It is perhaps too much to ask that a writer who has succeeded in accomplishing the task as Mrs. Blanc has, should be required to interpret the movement as well. The few paragraphs of economic analysis are, however, so thoughtfully and yet so simply developed that they create a demand for more.

AMY HEWES.

- GIRSBERGER, H. *Der utopische Sozialismus des 18. Jahrhunderts in Frankreich und seine philosophischen und materiellen Grundlagen*. Zürcher volkswirtschaftliche Forschungen, Heft 1. (Zurich: Rascher & Cie. 1924. Pp. xv, 253. Gm. 10.90.)
- GORDON, A. *The common sense of socialism*. (London: Labour Pub. Co., Ltd. 1924. 1s.)
- MARX, K. *The class struggles in France, 1848-1850*. Introduction by F. ENGELS; trans. by H. KUHN. (New York: N. Y. Labor News Co. 1924. Pp. 207.)
- NEARING, S. and RUSSELL, B. *Can the soviet idea take hold of America, England and France?* Introduction by S. UNTERMYER; foreword by B. A. JAIRTS. A debate. (New York: League for Public Discussion. 1924. Pp. 69. \$1.)
- PODMORE, F. *Robert Owen, a biography*. (New York: Appleton. 1924. \$5.)
- PRAGER, R. L. *Marx, Engels, Lassalle. Ein Verzeichniss ihrer Schriften und die Werke über ihre Ideen*. Part 1. (Berlin: R. L. Prager. 1924. Pp. xii, 62. Gm. 1.)
- THOMPSON, C. D. *Public ownership*. (New York: Thomas Y. Crowell. 1924. \$3.)
- Die sozialistische Bewegung in der Schweiz, 1848-1920*. (Berne: Gottfr. Iseli. 1923. Pp. iv, 160. 5 fr.)

### Statistics and Its Methods

#### NEW BOOKS

- FORSYTH, C. H. *An introduction to the mathematical analysis of statistics*. (New York: Wiley. 1924. Pp. 249. \$2.25.)
- GLOVER, J. W. *Tables of applied mathematics in statistics*. Parts III and IV. (Ann Arbor, Mich.: Geo. Wahr. 1924. Pp. 286. \$1.50; \$2.50.)
- MAYR, G. VON. *Statistik und Gesellschaftslehre*. Vol. II: *Bevölkerungsstatistik*. Second revised and enlarged edition, second issue. (Tübingen: Mohr. 1924. Gm. 8.80.)
- NICEFORO, A. *Il metodo statistico. Teoria e applicazioni alle scienze naturali, alle scienze sociali e all'arte*. (Messina: Casa Ed. Giuseppe Principato. 1923. Pp. 590. L. 30.)
- An exact exposition of the methodology in all the more refined procedures, with original applications to phenomena of various orders, biological, social, and artistic.
- A. G.
- RIETZ, H. L., editor. *Handbook of mathematical statistics*. (Boston: Houghton Mifflin. 1924. Pp. v, 221. \$4.)
- SCHÖNE, W. *Zeitungswesen und Statistik*. (Jena: Fischer. 1924. Pp. v, 120. Gm. 3.60.)
- SMITH, W. H. *Graphic statistics in management*. (New York: McGraw-Hill Book Co. 1924. Pp. 360. \$4.)
- VINCI, F. *Un nuovo metodo d'interpolazione*. Estratto dall' *Annuario del Regio Istituto Superiore di Scienze Economiche e Commerciali in Bari*. (Bari: Casa Ed. Cressati. 1924. Pp. 19.)



ZIZEK, F. *Meinen Kritikern. Erläuterungen und Ergänzungen zu "Grundriss der Statistik" und zu "Fünf Hauptprobleme der statistischen Methodenlehre."* Separate from *Allg. Statistisches Archiv*, Bd. XIV. (Munich: J. Schweitzer Verlag. 1924. Pp. 48. Gm. 1.20.)

*Census of manufactures, 1921. Summary for the United States by industries, geographic divisions, and states.* Bureau of the Census. (Washington: Supt. Docs. 1924. Pp. 141. 15c.)

*Economic barometers. Studies and reports, series N., no. 5.* (Geneva: Intern. Labour Office. 1924. Pp. 56. 30c.)

*International yearbook of agricultural statistics for 1923.* (Rome: Intern. Inst. Agri. 1924. Pp. 471. \$2.)

*Live stock and animal products statistics, 1923.* (Ottawa, Can.: Dominion Bureau of Statistics, Internal Trade Branch. 1924. Pp. 101. 25c.)

*The municipal handbook of New Zealand, 1924.* Tenth issue. (Wellington, N. Z.: Census and Statistics Office. 1924. Pp. 412. 3s. 6d.)

*New Zealand: Report on the justice statistics for 1923* (pp. 176); *Report on the vital statistics for 1923* (pp. 176); *Statistical report on local government for 1922-23* (pp. 186); *Statistical report on population and buildings for 1923-24* (pp. 50). (Wellington, N. Z.: Census and Statistics Offices. 1924.)

*The problem of business forecasting.* Papers presented at the eighty-fifth annual meeting of the American Statistical Association, Washington, December 27-29, 1923. (Boston: Houghton Mifflin. 1924. Pp. xiii, 317. \$4.)

Edited by W. M. Persons, W. T. Foster, and A. J. Hettinger, Jr., and published by the Pollak Foundation for Economic Research.

*Statistical abstract for British India, with statistics where available relating to various Indian states from 1911-12 to 1920-21.* First number of new series. (London: H. M. Stationery Office. 1924. 10s.)

*Statistical year book of Quebec, 1923.* Tenth year. (Quebec, Can.: Provincial Secretary's Dept., Bureau of Statistics. 1923. Pp. 419.)

*Statistics of railways in the United States for 1922.* Interstate Commerce Commission. (Washington: Supt. Docs. 1924. Pp. 475.)

*Statistisches Handbuch für die Republik Oesterreich.* 3. Jahrgang. (Vienna: Verlag des Bundesamtes für Statistik in Komm. 1923. Pp. ix, 141.)

*Statistisches Jahrbuch für den Freistaat Preussen.* 19. Bd. (Berlin: Preussisches Statistisches Landesamt. 1923. Pp. 509.)

*Statistisk årbok for Kongeriket Norge 1922.* 42de årgang. Statistiske Centralbyrå. (Christiania: H. Aschehoug & Co. 1923. Pp. 281.)

*Trade of the United States in 1923 according to the international statistical classification.* Supp. to Commerce Reports, Trade inf. bull. 256. (Washington: Supt. Docs. 1924. Pp. 9.)

*Die Wirtschaftskurve mit Indexzahlen der Frankfurter Zeitung.* Jahrgang 1923, Heft IV. (Frankfurt a. Main: Frankfurter Societäts-Druckerei G. m. b. H. Pp. 101.)

*Year book of the state of Indiana for 1923.* (Indianapolis: Legislative Reference Bureau. 1924. Pp. 1231.)

## PERIODICALS

The REVIEW is indebted to Robert F. Foerster for abstracts of articles in Italian periodicals, and to R. S. Saby for abstracts of articles in Danish, Dutch, and Swedish periodicals.

### Theory

(Abstracts by Morris A. Copeland)

- ALLPORT, F. H. *Group fallacy in relation to culture*. Jour. Abnor. and Soc. Psychol., July-Sept., 1924. Pp. 7. Discusses bearing of Bartlett's *Psychology and Primitive Culture* on theory of social causation.
- BATTISTELLA, C. *La politica economica nell' opera di Francesco Ferrara*. Riv. di Pol. Econ., July-Aug., 1924. Pp. 12.
- BOYD, J. H. *Permanence of the American democracy*. Am. Jour. Sociol., July, 1924. Pp. 21. Investigates the economic and other "germs which cause political decay" and methods of combatting them.
- CHAPIN, F. S. *Progress in methods of inquiry and research in the social and economic sciences*. Sci. Mo., Oct., 1924. Pp. 10. Social science is "still in an empirical and a speculative stage of discovery and invention."
- FRANK, L. K. *Veblen's "Absentee Ownership and Business Enterprise in Modern Times"*. Pol. Sci. Quart. Sept., 1924. Pp. 4. A criticism done in Veblenese.
- HARDY, C. O. *Real demand and market price*. Am. Econ. Rev., Sept., 1924. Pp. 2. Criticizes Hansen on "Demand in relation to the business cycle."
- JONES, E. *Psycho-analysis and anthropology*. Jour. Royal Anthropol. Inst., Jan.-June, 1924. Pp. 20.
- KNIGHT, F. H. *Some fallacies in the interpretation of social cost*. Quart. Jour. Econ., Aug., 1924. Pp. 25. A criticism of Pigou's theory of excessive investment in increasing cost industries under competition and Graham's objections to the law of comparative cost as a basis for free trade.
- McDOUGALL, W. *Purposive striving as a fundamental category of psychology*. Sci. Mo., Sept., 1924. Pp. 8.
- MERRIAM, C. E. *The significance of psychology for the study of politics*. Am. Pol. Sci. Rev., Aug., 1924. Pp. 20. Examines points of contact between the two fields.
- MITCHELL, A. A. *Unemployment*. Bankers' Mag. (London). Sept., 1924. Pp. 19. Finds cause of unemployment in high wages and undersaving.
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factor is prominent and assumes rather permanent forms; whose product is in the nature of a public necessity; and whose capital charges take a serious part of the consumers' dollar."

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## Economic History (United States)

(Abstracts by Amelia C. Ford)

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COTTERILL, R. S. *The Louisville and Nashville Railroad, 1861-1865*. Am. Hist. Rev., July, 1924. Pp. 16. Explains the unique contribution of this road (which connected the interior of the South with the Ohio river) to the success of the Union cause, and the activities of its president, James Guthrie.

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- LIBBY, O. G. *The colonial period of North Dakota history*. *Quart. Jour.*, Univ. of No. Dakota, June, 1924. Pp. 12. Describes the fur trade which went on in Dakota from earliest times till 1850, when the territory began to change to a settled community of ranchers and farmers.
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- NEWELL, A. *North West and Hudson's Bay Companies*. *Wash. Hist. Quart.*, July, 1924. Pp. 6. Describes the activities of the company of Montreal merchants who fell heir to the fur trade of New France in 1763, and their part in bringing about amalgamation with the Hudson's Bay Company in 1821.
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- CÁRCANO, M. A. *La evolución económica y nuestros tratados comerciales*. Rev. de Econ. Argentina, Jan.-Feb., 1924. Pp. 5.
- CLARK, B. W. *The Hutterian communities*. Jour. Pol. Econ., Aug., 1924. Pp. 9.
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## Railways and Transportation

(Abstracts by J. H. Parmelee)

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(Abstracts by Marjorie Sheets Weber)

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## Commerce

(Abstracts by H. R. Tosdal)

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## Public Utilities

(Abstracts by Charles S. Morgan)

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BAUER, J. *The drive by public service corporations against depreciation provisions*. Nat. Munic. Rev., Aug., 1924. Pp. 6. Efforts to secure the substitution of the "renewals" method for depreciation reserves held to have its origin in desire of companies to free themselves from certain financial restrictions and to secure the use of reproduction cost new in the valuation of their properties.

BAYLOR, A. K. *Electric utility holding companies*. Elec. World, Sept. 20, 1924. Pp. 2. Reasons for development, and important effects, of the public utility holding company.

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BROWN, H. B. *Defects in Mr. Justice Brandeis' theory of prudent investment as a rate base*. Calif. Law Rev., May, 1924. Pp. 19. The rights of the investor are inadequately protected in this statement of the prudent investment theory.

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DELAVERNE, G. *The influence of transportation on the growth of cities*. Elec. Ry. Jour., Aug. 2, 1924. P. 1. The harmonious development of a city's environs and its transportation facilities can best be secured where the latter are publicly owned, with private operation.

- DOW, A. *Evolution of rate making*. Elec. World, Sept. 20, 1924. Pp. 2. An interesting discussion of the slow development of satisfactory principles in the making of electrical rates. Still much empirical rate making.
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- HARDMAN, T. P. *Recent developments in regard to rate regulation*. West Virginia Law Quart., Jan., 1924.
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- JACKSON, W. *What is a casual rider?* Elec. Ry. Jour., Sept. 16, 1924. P. 1. Some data on the riding habits of people and appeals of various grades of fare.
- LAYNG, J. F. *Survey shows street railways sound*. Elec. Ry. Jour., June 8, 1924. Pp. 4. Comparative statistics, 1910, 1920, 1923, of revenue passengers per capita and per car-mile in 48 largest cities. Rides per capita decreased in 19 places in 1923 compared with 1910, and generally from 1920 to 1923. Figure for total passengers carried has consistently increased.
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machine switching apparatus until it is worn out or for other reasons uneconomical to continue in service."

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VANDERBLUE, H. B., and CRUM, W. L. *The relation of a public utility to the business cycle*. Harvard Bus. Rev., July, 1924. Pp. 11. A statistical study of the revenues of the Public Service Electric Company for the years 1904 to 1923. The outstanding features are a marked upward trend, a highly uniform seasonal movement, and cyclical movements of moderate intensity and of relatively minor importance.

WELSH, J. W., and others. *Observations on foreign practice*. Elec. Ry. Jour., Sept. 20, 1924. Pp. 2. One of a number of reports on foreign electric railway situation.

*B. t. u. rampant*. Gas Age-Record, July 7, 28, 1924. Pp. 1, 1. Further instalments in the long-standing controversy as to whether a reduction in B. t. u. content of gas should entail a proportionate reduction in price. "Price should be adjusted on the basis of surplus profits and . . . . quality requirements should be made by considering the needs of the user."

*Course of electric railway earnings in 1923*. Comm. and Finan. Chron., June 28, 1924. Pp. 5. Factors affecting gross and net earnings in recent years. "Apparently a definite trend for the better has set in." Statistics of earning, 1922 and 1923, by individual companies, and summaries, 1905-1923.

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*Electric railways operating nearly 2,000 buses*. Aera, Sept., 1924. Pp. 16. A complete summary, by localities, of electric railways furnishing various types of supplementary bus service, with fare and other data, and of limited number of places where bus service has entirely supplanted trolley service.

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## Accounting

(Abstracts by Martin J. Shugrue)

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- DICKINSON, A. L. *Publicity in industrial accounts.* Jour. Account., Oct., 1924. Pp. 21. Comparison of English and American methods.
- GIBSON, H. L. *Cost accounting for the manufacture of tanning extracts.* Pace Student, Aug., 1924. Pp. 2. Brief outline of system.
- GILMAN, S. *A method of balance sheet analysis.* Manag. and Admin., Aug., 1924. Pp. 4. Some new ideas for better use of ratio analysis.
- GREELEY, H. D. *Methods of teaching estate accounting and taxation.* Jour. Account., Sept., 1924. Pp. 7.
- HALL, N. A. *Costs for executives—II.* Indus. Manag., July, 1924. Pp. 4. The right foundation for cost structures.
- HEAD, W. W. *Relationship between banker and accountant.* Jour. Account., July, 1924. Pp. 5.
- JACKSON, J. H. *Professional accountancy education, within the public accountant's organization.* Jour. Account., July, 1924. Pp. 16. How to meet the needs of additional training for assistants joining the staff of a public accountant.
- JUSTIN, W. H. *Operating control through scientific analysis.* Jour. Account., Sept., 1924. Pp. 13. How to utilize ratio analysis to the best advantage in operating control.
- KRIEB, W. M. *Building operation accounts.* Pace Student, July, 1924. Pp. 7. Accounting methods for corporations engaged in operation of buildings, spaces in which are leased to tenants.
- LAZARUS, A. *Budgeting for the newspaper.* Jour. Account., Sept., 1924. Pp. 9. Why a budget for this line of business is practicable, and how to use it.
- PEACOCK, E. E. *A cost system for water works in large towns and small cities.* Jour. Am. Water Works Assoc., July, 1924. Pp. 11. Description of what is considered a desirable system. Designed to meet requirements of simplicity and to show unit costs by departments or processes.
- SANDERS, T. H. *The training of accountants in English.* Jour. Account., Aug., 1924. Pp. 13. Comparison of English and American methods of training and also practice on the field of auditing.
- SAVAGE, A. *Accounting for general contractors.* Jour. Account., Sept., 1924. Pp. 13. The books and accounts needed. Also presents certain problems such as the question of anticipating profits on uncompleted contracts.
- ST. JOHN, E. A. *Accountant versus embezzler.* Jour. Account., June, 1924. Pp. 11. Gives 14 examples of embezzlements and shows how they could have been prevented by proper accounting and auditing methods.
- VERDELIN, H. *Practical methods of accounting for newly established trust departments.* Trust Companies, Aug., 1924. Pp. 4. Concrete description of how to handle trust accounts and matters incident thereto.
- WHITMAN, A. H. *Foreign exchange accounting.* Harvard Bus. Rev., July, 1924. Pp. 8. How the importer or exporter may avoid or minimize foreign exchange risks. Some accounting difficulties are involved.

## Business Management

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- BONBRIGHT, J. C. *No-par stock: its economic and legal aspect*. Quart. Jour. Econ., May, 1924.
- BROWN, G. C. *Time study and standardization*. Manag. and Admin., April, 1924. Pp. 6.
- CAMPBELL, E. M. *Some management problems of investment trusts*. Harvard Bus. Rev., April, 1924. Pp. 7.
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- THOMPSON, S. E., and FREELAND, W. E. *Management factors in the shoe industry*. Manag. and Admin., July, 1924.
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- WILLIAMS, J. H. *Management as an executive function*. Bull. Taylor Soc., April, 1924. Pp. 6.
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## Labor and Labor Organizations

(Abstracts by Selig Perlman)

- BERTHELOT, M. *Les lois du travail en Allemagne.—Les conditions du travail*. Musée Social, July, 1924. Pp. 20. Describes the struggle between industrialists and trade unionists over nibbling away at the eight-hour day.
- BONHAM-CARTER, M. *Investments under a labour government*. Finan. Rev. Rev., March-May, 1924. Pp. 4.
- BOWIE, J. A. *The British coal agreement*. Jour. Pol. Econ., April, Aug., 1924. Pp. 12; 23. The cleavage between profit-takers and wage-earners is partly obliterated in the British coal treaty, where each party receives a wages-cum-profits remuneration. "Up to the present the cardinal merit of the agreement has been its striking contribution to the regularizing of employment; the future, when the implications of partnership are more clearly realized, may well see an increase of output, and therefore the earnings of workers."
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- CHENEY, H. B. *What 86 years have taught us about selecting labor*. Mo. Labor Rev., May, 1924. Pp. 13.
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- DUBLIN, L. I. and VANE, R. J. *Shifting of occupations among wage earners as determined by occupational history of industrial policyholders*. Mo. Labor Rev., April, 1924. Pp. 6.

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- HARGOOD, W. P. *What we think of industrial democracy, after seven years*. Factory, Aug., 1924. "Like any commodity, self-government in industry must meet the test of the market. In our case it has done so."
- JAMES, G. M. *Coöperative production among shingle-weavers*. Quart. Jour. Econ., May, 1924. Pp. 7. Has been a success so far, but future still uncertain.
- KELLOCK, J. *Economic justification of trade unionism*. Jour. Indian Econ. Soc., Dec., 1923. Pp. 9. A good summary of the arguments elaborated by the Webbs.
- KUMMER, F. *The German metal workers' federation*. Mo. Labor Rev., April, 1924. Pp. 11.
- LEISERSON, W. M. *The way to industrial peace*. American Rev., May-June, 1924. Pp. 12. Through the development of industrial common law lies the way.
- LEWISOHN, S. A. *Wage policies and national prosperity*. Pol. Sci. Quart., March, 1924. Pp. 9. The choice of policy by the employer should be guided primarily by the long-time consideration of its probable effect upon the future operation of our productive system.
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- MACK, W. G. *Reducing unemployment and improving industrial relations*. Am. Lab. Legis. Rev., June, 1924. Pp. 3. Advocates the extension of the Cleveland plan of guaranteed employment to all industries as a basis of an industrial coöperation between employer and unions that will raise total national product and enhance share of each factor.
- MACMILLAN, J. W. *Minimum wage legislation in Canada*. Intern. Lab. Rev., April, 1924. Pp. 30.
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- PICARD, R. *Family allowances in French industry.* Intern. Lab. Rev., Feb., 1924. Pp. 16. Suggests a way for converting the system of family allowances into a system of social insurance.
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- Den danska arbetslöshetslagstiftningen.* Soc. Med., no. 5, 1924. Pp. 3. Describes the operation of the Danish unemployment legislation enacted in 1921.
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## Money, Prices, Credit, and Banking

(Abstracts by William O. Weyforth)

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- AGGER, E. E. *Proposed new central gold bank of Germany*. *Am. Econ. Rev.*, Sept., 1924. Pp. 12.
- ANGELI, D. *I grandi istituti di credito liberi in Italia*. *Riv. Bancaria*, July, 1924. Pp. 26. A study of investments by leading Italian banks over a period beginning some years before the war.
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- COLE, G. D. H. *The "worship of par."* *Bankers' Mag.* (London), Sept., 1924. Describes the "worship of par" and the attempt to restore the gold standard in England as hindering the development of industry and the lessening of unemployment. Moderate bank inflation would be desirable. Mr. Hartley Withers answers Mr. Cole, pointing out the manner in which fluctuating exchanges interfere with the development of industry.
- FOWLER, M. K. *The cost of bank defalcations*. *Bankers Mag.*, July, 1924. First of a series of articles on "The cause and prevention of bank defalcations."
- J RGENSEN, H. *Aktie- og Banklovforslagene*. *Nat.  k. Tids.*, no. 3-4, 1924. Pp. 30. Criticizes corporation and banking legislation proposed in the Danish parliament.
- MILLER, M. D. *Branch banking and the small borrower*. *Bankers Mag.*, July, 1924. How the branch banking system affects the small borrower; the services he receives; the kind of cooperation from branch managers; how the small independent community is affected.
- MULLEN, D. A. *Unprofitable accounts—How to turn them into earners*. *Am. Bankers Assoc. Jour.*, July, 1924. The unprofitableness of the small checking account is pointed out. Methods of remedying evil.
- PRESTON, H. H. *Recent developments in branch banking*. *Am. Econ. Rev.*, Sept., 1924. Pp. 20.
- PUTNAM, G. E. *Federal reserve rediscount rates and the gold supply*. *Am. Bankers Assoc. Jour.*, Aug., 1924. Federal Reserve Board's attempt to control credit has been costly from point of view of earnings of federal reserve banks. Continued importations of gold will take control out of hands of Federal Reserve Board. Tariff reduction would lessen imports of gold, but very few could be

- found to advocate drastic tariff reduction in view of the injury that it would inflict on American business.
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- SIMMONDS, F. W. *How the state banks regard the federal reserve system*. Am. Bankers Assoc. Jour., Aug., 1924. Digest of 4954 answers by state bankers to a questionnaire sent out by a special committee of the American Bankers Association. Principal criticisms are summarized and answered.
- YERKES, J. D. *Are banks giving too much free service?* Bankers Mag., Sept., 1924. Writer believes that compensation is inadequate for service to depositor.
- Forward exchange*. Bankers' Mag. (London), Aug., 1924. Describes the system developed in England as a means of protecting traders against the risks involved in violent fluctuations of the exchanges.
- The progress of banking in Great Britain and Ireland during 1923*. Bankers' Mag. (London), Aug., Sept., 1924. A continuation from the June number of the analysis of balance sheets of banks in Great Britain and Ireland. September instalment analyzes profits and their distribution.

## Public Finance

(Abstracts by Charles P. Huse)

- AUGÉ-LARIBÉ, M. *Les excès de la protection douanière*. Rev. des Etudes Coop., Apr.-June, 1924. Pp. 10. Protection, especially for manufactured goods, is responsible to a considerable degree for the high cost of living.
- BECKETT, S. E. *Taxation in British Columbia*. Jour. Pol. Econ., Aug., 1924. Pp. 25. British Columbia, with the characteristic Canadian policy of separating provincial and local revenues, was forced to assign new sources of revenue to the municipalities in 1920.
- BELKNAP, W. B. *Inheritance tax complications and proposed model tax law*. Trust Companies, Aug., 1924. Pp. 4. Points out the merits of the model law framed by the National Tax Association.
- . *State and federal policies of inheritance taxation*. Bull. Nat. Tax Assoc., June, 1924. Pp. 3. In their search for revenue, the states are rapidly raising the rates and extending the scope of inheritance taxes.
- BLAKEY, R. G. *The Revenue act of 1924*. Am. Econ. Rev., Sept., 1924. Pp. 30.
- BOND, H. H. *Is the income tax self-doomed to a lingering death?* Bull. Nat. Tax Assoc., June, 1924. Pp. 4. Believes it has been overburdened by refinements and weakened by administrative failure.
- BOUSQUET, J. *Les finances autrichiennes et la Société des Nations*. Rev. d'Econ. Pol., May-June, 1924. Pp. 20. Under the control of the League of Nations the expenditures of Austria have been reduced and her revenues increased.
- BRUCE, S. M. *Imperial preference*. Econ. Jour., March, 1924.
- COATES, W. H. *League of Nations report on double taxation*. Jour. Royal Stat. Soc., Jan., 1924. Pp. 4. The committee believes that ultimately income going abroad will be exempted.

- DUNN, J., JR. *Basis for equitable adjustment of federal and state taxation of estates and inheritances.* Trust Companies, Sept., 1924. Pp. 4. Advocates uniform state laws which tax personalty only in the state of domicile, and the abolition of the federal tax.
- ERBE, C. H. *Constitutional limitations on indebtedness in Iowa.* Iowa Jour. Hist. and Pol., July, 1924. Pp. 55. Traces the development from territorial days to the present.
- FANNO, M. *Problèmes fondamentaux de politique douanière.* Scientia, Aug., 1924. Pp. 24. Where differences in comparative costs are slight and therefore changes are likely to occur frequently with accompanying loss to industry, a protective tariff can profitably be used to stabilize conditions.
- GISBORNE, F. A. W. *Protection in Australia.* Edinburgh Rev., Jan., 1924.
- HANDY, A. *The effect of recent court decisions on the taxation of non-resident decedent estates.* Econ. World, Oct., 1924. Pp. 3. Recent decisions have in the main checked the attempts of states to tax the shares of non-residents in foreign corporations which hold property in these states.
- HOGAN, W. L. *How the government interprets the income tax law.* Annalist, July 28, 1924. P. 1. Describes the organization of the new board of tax appeals.
- HUBERT, R. *L'équilibre des finances françaises.* Rev. des Etudes Coop., April-June, 1924. Pp. 14. France is now meeting from current revenues the charges deemed recoverable from Germany as well as ordinary expenditures.
- JÈZE, G. *La garantie personnelle des emprunts publics.* Rev. de Sci. et de Légis. Financ., April-May-June, 1924. Pp. 115. While guaranteed loans in early times were secured by the pledge of jewels or territories, they are now issued either on the pledge of specific revenues or the guarantee of another power.
- KRACHT, G. V. *Incidence of business-profits taxes.* Jour. Account., Oct., 1924. Pp. 13. Discussion of economic principles.
- LACHAPPELLE, G. *Les finances publiques.* Rev. d'Econ. Pol., March-April, 1924. Pp. 13. While a crisis in French exchange has been averted, the situation still demands a very firm financial policy.
- LINDER, T. *Property valuations and the tax assessor.* Bull. Nat. Tax Assoc., June, 1924. Pp. 5. Recommendations by an appraisal engineer for valuing land, buildings, machinery and other kinds of property.
- MATTHAI, J. *Public finance and development.* Indian Jour. Econ., July, 1924. Pp. 7. Outlines the methods which the Indian governments should follow in meeting the growing demand for state aid to industries.
- NEWCOME, M. *Taxation of billboards.* Nat. Munic. Rev., July, 1924. Pp. 3. Rates are much higher in European countries.
- ROYCE, C. B. *Taxation and funded life insurance trusts.* Trust Companies, July, 1924. Pp. 4. Though the donor cannot escape the federal income tax, nevertheless, this new method of meeting life insurance premiums from the income of a trust fund has many advantages.
- STAMP, J. *The capital levy.* Contemp. Rev., Jan., 1924.
- VAKIL, C. N. *Taxes on income before 1886.* Jour. Indian Econ. Soc., Dec., 1923. Pp. 12. Established in India in 1860, it did not prove a success because the income tax was adapted to a commercial rather than to an agricultural country.
- VAN GIJN, A. *De Staatsmijnen en de Rijksfinanciën.* De Econ. (Dutch), May, 1924. Pp. 16. An account of the contributions of the Dutch state mines to the national finances, especially during the last twenty years.
- WARMING, J. *The taxation of real property in Denmark.* Pol. Sci. Quart., Sept.,

1924. Pp. 20. Both for state and local purposes the tendency has been to place the burden of increasing expenditures upon income rather than real property.
- WILLIAMS, W. M. J. *Le budget britannique 1924-1925*. Jour. des Econ., June 15, 1924. Pp. 12. Its greatest fault is its failure to provide an adequate surplus.
- ZUCKERMAN, T. D. *The pay-as-you-go plan is cheaper*. Nat. Munic. Rev., Aug., 1924. Pp. 11. A rejoinder to an article in the June REVIEW which maintained that this plan was more costly than any other sound method.

## Population

(Abstracts by A. B. Wolfe)

- ARENA, C. *Problemi internazionali dell' emigrazione alla Conferenza di Roma*. Riv. Internaz., July, 1924. Pp. 16.
- BEAMAN, M. *The Immigration act of 1924*. Am. Bar Assoc. Jour., July, 1924. Pp. 3.
- BOURDON, J. *La population*. Rev. d'Econ. Pol., March-April, 1924. Pp. 5. Summary of French population statistics, 1913-1923.
- BOWLEY, A. L. *Births and population in Great Britain*. Econ. Jour., June, 1924. Pp. 5. An attempt to calculate what birth rate would give England a stationary population. With the present rates of births, deaths, and emigration, the population of Great Britain would increase to 45 or 46 millions about 1941 and then diminish.
- CARCANO, M. A. *La conferencia internacional de Roma y la politica migratoria argentina*. Rev. de Econ. Argentina, July, 1924. Pp. 26. An incisive article adversely critical of the Rome conference. Excellent philosophical presentation of the general problem of immigration policy. There must be international coöperation, but it can be secured only by agreements between specific nations. The right to restrict and select entrants is a sovereign right.
- DUBLIN, L. I. *The possibility of extending human life*. Metron, 7-IX-1923. Pp. 21. Deals with United States data—increase in expectation of life during the last century, and possibilities for the future.
- . *Some observations on the mortality of negroes in America*. Econ. World, Sept. 13, 1924. Pp. 2. Outline of decline in mortality rates. Recent gains in longevity hold out great promise for the future of the American negro.
- DAVIE, M. R. *Immigration and the declining birthrate*. Sci. Mo., July, 1924. Pp. 9. Contra Elkanah Watson, the rate of population growth would have declined in the absence of immigration, on account of land scarcity. Walker's theory unsound.
- EGGLESTON, F. W. *The "White Australia" policy and its critics*. English Rev., July, 1924. Pp. 16. The White Australia policy is the formula which the Australian people have framed as the only solution of a number of very complex problems which affect their security and welfare. Problem of racial admixture, right to exclusive control of Australian territory. Climatic problem, etc.
- FAIRCHILD, H. P. *The Immigration law of 1924*. Quart. Jour. Econ., Aug., 1924. Pp. 13. The distinctive feature of this law, and of the discussion of the law also was the emphasis laid on race. The passage of the law indicated a deep conviction that stringent quantity restriction is necessary.
- FAWCETT, C. B. *Australian settlement*. Geog. Jour., Oct., 1924. Pp. 3. Review of Griffith Taylor's *Geography and Australian National Problems*. Interesting data on Australia's capacity to support population.
- FERCH, J. *Birth control in Austria*. Birth Control Rev., July, 1924. P. 1.

- FISHER, H. M. *Birth control and public policy*. Birth Control Rev., June, 1924. Pp. 4. The judge of the Cook County Circuit Court grants writ of mandamus permitting the establishment of a birth control clinic.
- FLORA, F. *La colonizzazione in Tripolitania nel 1923*. Rif. Sociale, May-June, 1924. Pp. 8.
- HALDANE, J. B. S. *Eugenics and social reform*. New Repub., June, 1924. Pp. 2. The thriftless poor, if possessed of the knowledge of birth control, would produce fewer children than the well-to-do.
- HAWKINS, F. H. *What of population problems and progress?* Jour. Social Forces, Jan., 1924. Pp. 5. Review of Carr-Saunders, East, and Cox.
- INMAN, S. G. *Attitude of South America toward immigration*. Pan-American Mag., May, 1924. Pp. 3. Exposition of liberal immigration laws. Abstract of this article is printed in *Monthly Labor Review*, Sept., 1924.
- KNIGHT, M. M. *The companionate and the family*. Soc. Hygiene, May, 1924. Pp. 11. Birth control viewed from a somewhat novel angle.
- LAMM, O. *Den nya amerikanska invandringslagen*. Soc. Med., no. 7, 1924. Pp. 14. The Swedish consul general in New York gives a clear and concise presentation of the essential features of the American Immigration act of 1924.
- LIVELY, C. E. *Increases and decreases in the open country population of Ohio*. Jour. Farm Econ., July, 1924. Pp. 6.
- PARSHLEY, H. M. *Eugenics: a contribution to the annals of reform*. Am. Rev., Mar-Apr., 1924. Pp. 10. Hits at the Nordic myth. Eugenics on the whole offers hope. We need, not the elevation by a few notches of the general level of intelligence, but rather the augmentation of the teachable minority.
- PEARL, R. *The curve of population growth*. Proc. Am. Phil. Soc., vol. LXIII, no. 1, 1924. Pp. 8.
- POWERS, H. H. "Grave consequences." Atlantic Mo., July, 1924. Pp. 10. Exclusion is not a purely domestic problem nor does it rest upon an obvious natural right. Restriction has become necessary to America, but it is fraught with great danger. We are prodigal of the world's good-will and reckless of its hospitality.
- PRINZING. *Die Bevölkerungsentwicklung Stockholms 1721-1920*. Jahrbücher für Nationalök. und Statistik, Jan.-Feb., 1924. Pp. 7. Up to the middle of the 19th century the death rate was approximately 10 per 1000 in excess of birth rate. This was due mainly to tuberculosis.
- PUSEY, W. A. *Some of the social problems of medicine*. Jour. Am. Med. Assoc., June 14, 1924. Pp. 4. Presidential address, touching on population and birth control.
- ROULAND, E. *Une conférence internationale de l'émigration et de l'immigration*. L'Econ. Franç., Aug. 30, 1924. Pp. 2. Outline of the chief resolutions passed by the International Conference on Emigration and Immigration held in Rome, May, 1924.
- RYAN, J. A. *Statement on birth control*. Cath. Charities Rev., May, 1924. Pp. 3. Catholic argument before the Judiciary Committee hearings on the Cummins-Vaile Bill.
- SAVORGNA, F. *Nuzialità e fecondità delle case sovrane d'Europa*. Metron, 7-IX-1923. Pp. 28. Study of the ruling houses of special interest because there can be no question of artificial restriction of fecundity.
- STEWART, E. *The new immigration quotas, former quotas, and immigration intakes*. Mo. Labor Rev., Aug., 1924. Pp. 11. 2 maps. The quota of North Europe is reduced 29 per cent, that of South Europe 87 per cent. The quota law will not choke off immigration because it does not apply to South America, Mexico, and Canada.

- TAYLOR, J. L. *The population problem*. Sociol. Rev., April, 1924. Pp. 4. Review of Carr-Saunders' *The Population Problem*.
- WARD, R. DeC. *Our new immigration policy*. Foreign Affairs, Sept. 15, 1924. Pp. 13. Historical and analytical. Takes up the quota act under the headings "limitation," "selection," "humanitarian provisions."
- WHITE, R. C. *The city-drift of population in relation to social efficiency*. Jour. Social Forces, Nov., 1923. Pp. 6. Rural communities produce fewer leaders per hundred thousand than does the city. The adjustment of population to production has been prompt. Decrease in standard of living imminent.
- WHITTON, C. *The immigration problem for Canada*. Queen's Quart., April-May-June, 1924. Pp. 33. Canadian economic conditions in relation to opportunity for the immigrant. Outlook not promising at present. Assisted immigrants unsatisfactory. Canadian immigration policy should be founded on long-run considerations, and upon analysis of the total economic situation and trend.
- WICKSELL, K. *The cruz of Malthusianism*. Birth Control Rev., June, 1924. Pp. 2. Thinks populations will soon become stationary or even decline somewhat.
- WOOD, C. W. *The fact of birth control*. Humanity, May, 1924. Pp. 11. What birth control—the fact, not the propaganda—is doing to America.
- WOODBURY, R. M. *Economic factors in infant mortality*. Jour. Am. Stat. Assoc., June, 1924. Pp. 19. A careful reëxamination of the subject on the basis of U. S. Children's Bureau data. There are intermediate factors between economic condition and infant mortality. They do not relieve the economic factor of its responsibility, but some of them may by social action be made independent of family income.
- WOOLSTON, H. B. *The dynamics of population, a criticism of Malthus*. Jour. Social Forces, Jan., 1924. Pp. 9. Neither population nor food tends to increase at any fixed ratio. Man has advanced from passive adaptation to natural conditions toward active adjustment of the forces which determine his life.
- Tropical settlement in Queensland*. Edinburgh Rev., July, 1924. Pp. 11. New Settlers' League of Australia. Holds that experience so far indicates that whites can thrive in tropical Queensland. Hence that climate is no bar to a "white Australia."

## Insurance and Pensions

(Owing to the death of Dr. Henry J. Harris on October 10, the titles below are not annotated.)

- BUTTERFIELD, G. B. *Workmen's compensation insurance for American coal mines as written by the associated companies*. Econ. World, Aug. 30, 1924. Reprinted from Insurance Field, Louisville, Ky., Aug. 21, 1924.
- DAVIDSON, R. O. *The provisions of health and accident insurance policies and their legal interpretation*. Econ. World, July 5, 1924. Reprinted from Weekly Underwriter, N. Y., June 21, 1924.
- DUNHAM, H. P. *The question of adequate reserves for total disability clauses in life insurance policies*. Econ. World, Aug. 16, 1924.
- FACKLER, D. P. *The field for life annuities in the United States*. Econ. World, March 29, 1924. Reprinted from Spectator, N. Y., March 20, 1924.
- GRAHAM, J. J. *Electrical machinery insurance: its theory and practice*. Econ. World, Sept. 20, 1924. Reprinted from Weekly Underwriter, N. Y., Aug. 16, 1924.
- GRIESHABER, H. *Die Versicherungskassen für die Beamten, Angestellten und Arbeiter des Bundes und der Kantone und die für die Schaffung einer Versich-*



- erungskasse massgebenden Grundsätze.* Zeits. f. Schweiz. Stat. u. Volkswirts., Heft 1, 60 Jahrg.
- HEERMANNSDORFER, F. *Die Organisation des Versicherungspools.* Zeits. f. d. ges. Versicherungswis., July, 1924. Pp. 13.
- HOFFMANN, F. *Die deutsche Sozialversicherung in ihrer gegenwärtigen Gestalt.* Zeits. f. d. ges. Versicherungswis., July, 1924. Pp. 13.
- HOLWERDA, A. O. *Management problems of European insurance companies since the armistice.* Harvard Bus. Rev., July, 1924.
- KERSTING. *Fremdwährung und Aufwertung in der Versicherung.* Zeits. f. d. ges. Versicherungswis., April, 1924. Pp. 12.
- LIEBERT, A. *Das Problem der Versicherung im Lichte der Philosophie.* Zeits. f. d. ges. Versicherungswis., April, 1924. Pp. 10.
- LIEDSTRAND, E. *Social insurance in Sweden.* Intern. Lab. Rev., Feb., 1924.
- MALTBY, C. H. *Some suggested amendments to the Assurance Companies act, 1909.* Jour. Inst. of Actuaries, July, 1924. Pp. 13.
- MILLIS, H. A. *Unemployment insurance in the clothing industry.* Univ. Jour. Bus., March, 1924.
- MONK, W. E. *The question of compulsory liability insurance for motor vehicles.* Econ. World, Aug. 9, 1924.
- OLIVREAU, R. *Les assurance contre l'incendie en 1923.* L'Econ. Franç., Sept. 20, 1924.
- PICKARD, B. O. *The development of workmen's compensation insurance for metal mines in the United States.* Econ. World, April 19, 1924. Reprint of Bureau of Mines, serial no. 2590, March, 1924.
- SMITH, V. R. *Life insurance without medical examination in Canada.* Econ. World, Sept. 27, 1924. Reprinted from Insurance Age, Boston, Sept. 12, 1924.
- VOGEL, G. *Fortschritte in der privaten Unfallversicherung.* Zeits. f. d. ges. Versicherungswis., April, 1924. Pp. 7.
- Mortality experience of government life annuitants, 1900-1920.* Jour. Inst. of Actuaries, July, 1924. Pp. 16.
- The system of state insurance in Soviet Russia.* Econ. World, Aug. 2, 1924. Reprinted from Russian Rev., July 15, 1924.

## Pauperism, Charities, and Relief Measures

(Abstracts by George B. Mangold)

- BERTIN, G. E. *Le budget de l'assistance publique.* L'Econ. Franç., May, 1924. The analysis of this budget indicates that the established lines of public aid are being carried out. Special emphasis, however, is being placed on the control of tuberculosis and the struggle against cancer.
- DOUGLAS, P. H. *Family allowances and clearing funds in France.* Quart. Jour. Econ., Feb., 1924. Pp. 43. The increasing demand of labor for a living wage and the dire poverty now prevailing in Europe has led to the development of the family allowance system. In France, during the war, laws were passed providing for allowances to government employees, and since that time a number of cities have also followed the plan. Several railroad systems and a number of other public utilities and some of the coal mines have adopted the system. At first, labor was rather antagonistic to the plan, but gradually it has become more friendly and many of the labor leaders now accept the principle, although they may not agree with the details of administration. These experiments should

prove of great interest and value to the rest of the world and throw light on the problem in this country of "equal pay for equal work."

- GILLETTE, J. M. *Poverty and relief in North Dakota*. Quart. Jour. of Univ. of No. Dakota, June, 1924. Pp. 16. Explains the extent of dependency in the state, the provisions made to handle it, and the preventive methods that should be used.
- RUBINOW, I. M. *Relief budgets and standards of living*. Jewish Social Service Quart., Feb., 1924. Points out the need of a varying family budget to meet the requirements of present-day case work. The standards followed by the Jewish Welfare Society of Philadelphia are ample in most cases. In some instances only the minimum standard should be granted.

## Statistics

(Abstracts by Bruce D. Mudgett)

- ARENA, C. *La comparabilità internazionale delle statistiche dell' emigrazione*. Rif. Soc., July-Aug., 1924. Pp. 19.
- BAINES, J. A. *The International Statistical Institute and its fifteenth session*. Jour. Royal Stat. Soc., Jan., 1924. Pp. 21. Interesting description of the sessions of the Institute and brief outline of topics discussed. Outstanding characteristic was the predominance given to economic statistics as opposed to demographic.
- BLACK, J. D. *Elasticity of supply of farm products*. Jour. Farm Econ., April, 1924. Pp. 11. Discusses questions of relation between price of a given year and production for year or years following and shows that usual type of cost data and "bulk-line" cost analysis do not furnish solution. Problem must be attacked statistically by method of multiple correlation.
- BONFERRONI, C. E. *Schemi teorici e dispersione*. Giorn. d. Econ., July, 1924. Pp. 16.
- BROWNLEE, J. *Some experiments to test the theory of goodness of fit*. Jour. Royal Stat. Soc., Jan., 1924. Pp. 7. "If the  $\chi^2$  method is to be used, it is obvious then that the fundamental condition that the sum of the errors be zero must be fulfilled." ".....it is evident that a new criterion of the value of  $n'$  that is to be taken will require to be worked out." "There is a farther point, however, which requires to be discussed, and that is the legitimacy of assuming the fundamental condition, namely, that the positive and negative errors are of equal value."
- . *A test of periodogram analysis*. Jour. Royal Stat. Soc., Jan., 1924. Pp. 6. An experimental test to determine the effect upon the usual method of periodogram analysis exerted by variations in the expected date of periodic fluctuations and in their size and duration. The test justifies the conclusion that these variations may occur without seriously affecting the accuracy of the results provided a sequence of ten periods is available.
- BUNLE, H. *Démographie de l'Afrique française du Nord au début du vingtième siècle*. Jour. de la Soc. de Stat. de Paris, July-Aug.-Sept., 1924. Pp. 18. Brief discussion of demographic changes in French North Africa since 1900.
- CRUMP, N. *The interrelation and distribution of prices and their incidence upon price stabilization*. Jour. Royal Stat. Soc., March, 1924. Pp. 53. Preliminary conclusions based on analyses, by the author of the *London Financial Times* index number, of the relation of price dispersion to price stabilization. These conclusions throw doubt upon the possible success of attempts at artificial price-stabilization and suggest that a "stable price level" may be associated with wide variation in particular prices. As he says, "an index-number is a good servant, it is a useful servant, and a necessary servant; it should not be allowed to become our master."

DUGÉ DE BERNONVILLE. *Les indices du mouvement général des prix en France* (concluded). Jour. de la Soc. de Stat. de Paris, July-Aug.-Sept., 1924. Pp. 14. Comparison and criticism and indices of general price movements in France, considering the wholesale indices of the Société Générale de la France, the U. S. Federal Reserve Board, and the Société d'Etudes et d'Information Economiques. Compares also the first of the above with two retail price indices in France, one for Paris and one for cities of over 10,000 population.

EPSTEIN, R. C. *Which business makes the highest profit?* System, Oct., 1924. Pp. 5. Study of percentage return on invested capital in 1917 for 26,477 firms in 108 industries; data taken from income tax returns. One purpose was to find if there was any tendency to a common rate of return on investment, and conclusion is that there was the widest variation in rate of profits.

FELD, W. *Statistische Methodenlehre?* Jahrb. f. Nationalök. u. Stat., Feb., 1923. Pp. 5. Statistics is a method of scientific investigation and not a science.

GINI, C. *Quelques considérations au sujet de la construction des nombres indices des prix et des questions analogues.* Metron, vol. IV, no. I, 1924. Pp. 160. By the editor of *Metron*, a discussion of index number theory that goes to fundamentals and that shows the author to be conversant with all the recent writings on the subject in French, German, and English as well as in his own language.

JONES, S. A. *The secret of the crop report.* Am. Bankers Assoc. Jour., Sept., 1924.

KERSCHAGL, R. *Abriss der Aufgaben und Probleme der Notenbankstatistik.* Jahrb. f. Nationalök. und Statis., Feb., 1923. Pp. 14. A discussion of methods of presenting statistics of banks of issue.

KÜHNERT, F. *Siedlungstätigkeit in Preussen in den Jahren 1919 bis 1921.* Zeitsch. des Preuss. Stat. Landesamts, 64 Jahrg., 1924. Pp. 32.

MATHEWSON, P. *The working value of the economic forecast.* Manag. and Admin., Aug., 1924. Pp. 3. Indicating briefly the character and magnitude of losses to several large firms in the depression of 1920-21, the author says this experience has led to much greater use, by business men, of economic forecasting. Recent development of more and more complete data by government and trade agencies has made this forecasting more reliable.

PAGE, N. C. *Some considerations concerning the preparation of data for statistical tables.* Bull. Nat. Assoc. Wool Mfrs., July, 1924. Pp. 11. An elementary but most excellent discussion of the degree of accuracy in statistical enumerations, estimates or measurements, and of the importance of never quoting or using any beyond significant figures in such data.

QUANTE, P. *Beiträge zur Statistik der Beamtengehälter.* Zeitschr. des Preuss. Stat. Landesamts, 64 Jahrg., 1924. Pp. 8.

RIENSBERG, W. *Die deutschen Wuchergerichte in den Kalenderjahren 1920, 1921 und 1922.* Zeitschr. des Preuss. Stat. Landesamts, 64 Jahrg., 1924. Pp. 7.

SAIBANTE, M., VIVARINI, C., VOGHERA, G. *Gli studenti dell' Università di Padova dalla fine del 500 ai nostri giorni.* Metron, vol. IV, no. I, 1924. Pp. 61.

SIMON, E. *Die Berechnung von Durchschnittsziffern.* Zeitsch. des Preuss. Stat. Landesamts, 64 Jahrg., 1924. Pp. 2.

—. *Die Sterblichkeit und der Geburtenüberschuss in Preussen seit 1875, insbesondere seit 1901, mit Unterscheidung von Stadt und Land und nach Regierungsbezirken.* Zeitschr. des Preuss. Stat. Landesamts, 64 Jahrg., 1924. Pp. 37.

SLATER, J. E. *The problem of mechanical statistics.* Ry. Age, May 24, June 14, 1924. Pp. 4, 2.

VAKIL, C. N. *Indian financial statistics*. Indian Jour. Econ., July, 1924. Pp. 13. Explains reasons for difficulties in understanding Indian financial statistics as (1) frequent changes in classifications and in accounting methods; and (2) the use of pounds sterling as the unit of account and the attempt to translate rupees into pounds.

WALSH, C. M. *Professor Edgeworth's views on index numbers*. Quart. Jour. Econ., May, 1924. Pp. 20. In the July, 1923, *Royal Statistical Journal* and the Sept., 1923, *Economic Journal*, Professor Edgeworth reviewed Mr. Walsh's book, *The Problem of Estimation*. Mr. Walsh returns to the charge in this article, essentially reiterating his position that general exchange value is a perfectly definite and measurable phenomenon and that the calculus of probabilities has no place in its measurement.

*Mouvements comparés des prix de gros et des prix de détail de quelque denrées depuis la fin de 1920*. Bull. Stat. Gén. de la France, July, 1924. Pp. 15. Comparison of the course of wholesale and retail prices in Paris for several important food items. Graphs of the data are shown.

*Wholesale prices of commodities in 1923*. Jour. Royal Stat. Soc., March, 1924. Pp. 22. By the editor of the *Statist*. The well-known annual review of prices, accompanied by a brief resumé of political and economic events in England and elsewhere.

## DOCUMENTS, REPORTS, AND LEGISLATION

### Industries and Commerce

**GRAIN TRADING.**—This subject is treated in Statistical Bulletin No. 6, published by the United States Department of Agriculture, and prepared by the Grain Futures Administration (*Grain Futures: Daily Data. Volume of Trading on the Chicago Board of Trade, January 1, 1921, to May 31, 1924*, Washington, October, 1924). The distinctive features of the bulletin are the inclusion of figures relating to the Chicago Board of Trade which give day by day (1) the volume of trading in grain futures, for each grain and for all grains combined, and (2) the volume of such trading in May wheat, July wheat, September wheat, and December wheat. These data are also summarized on a monthly basis. For other grain futures markets only annual data are included.

The seven principal markets covered by the annual data are those located at Chicago, Minneapolis, Kansas City, St. Louis, Duluth, and Milwaukee. These seven markets handle all together more than 99 per cent of all the trading in grain futures. Of this total the Chicago Board of Trade handled 87.65 per cent during the three years, 1921-1923. Trading in wheat futures in the seven markets constituted 61 per cent of all the trading, and of the total trading in wheat futures the share handled through the Chicago Board of Trade was 86.45 per cent. Thus the inclusion in this bulletin of daily data on wheat futures with each future listed separately, for the Chicago Board of Trade, makes available daily data by futures with regard to the grain futures which are of most importance in the grain futures markets and with regard to the leading market in these futures.

The information is comparable with that which has been released daily since last January by the Grain Exchange Supervisor at Chicago, and with the summaries released monthly by him.

The figures exhibit marked variations from time to time during the period covered. For all grain futures combined the largest monthly volume of trading was 2,215,614,000 bushels in March, 1922, and the smallest monthly volume was 636,798,000 bushels in May, 1924. More recent figures show that the trading in September, 1924, was almost three times that of May. Variations in the daily volume of trading are even more striking. The largest day's trading for the period was 154,416,000 bushels, March 9, 1922, and the smallest day's trading was 10,984,000 bushels on May 17, 1924, shortly before the grain futures markets witnessed the recent remarkable outburst of activity.

The volume of trading by futures shows, of course, that May wheat is far the most popular of the futures. There was more trading in 1922 May wheat than in all the other 1922 wheat futures combined. Publication of the volume for each future also makes possible the determination of the exact day or week in which first place in the trading passes from one future to another, and affords a basis for distinguishing among the futures with reference to the significance of their price quotations. More precise com-

parisons between the volume of trading and the direction and extent of price movements are also made possible.

The bulletin states that other material collected by the Grain Futures Administration will be published as compilations progress. It is to be hoped that this will include series relating to the size of the so-called open interests, open commitments, or open trades, in grain futures, against which may be matched the quantity of cash grain in the visible supply and other comparable data.

Up to November 1, the Grain Futures Administration had issued little information on this point. In May, an estimate of somewhat more than 90,000,000 bushels was given as representing the average "customers" open interest in wheat futures on the Chicago Board of Trade during the calendar year 1923. On October 10, for the same market, a summary of "open contracts" for September was published, which included all grains and gave the "open contracts" outstanding at the close of the market on September 30 as follows: wheat futures, 103,928,000 bushels; corn futures, 56,087,000 bushels; oats futures, 61,832,000 bushels; and rye futures, 19,601,000 bushels. This is a type of information which is not yet publicly available for any other speculative market either in commodities or in securities, and it is much more significant than information relating to the volume of trading. It needs to be used with caution, however, for the term "open interests," when applied to a whole market, may mean any one of five different things. Elucidation of such figures, therefore, should accompany the next official publication of them.

C. E. PARRY.

The Federal Trade Commission has printed:

Vol. IV of its report on *The Grain Trade*. This is devoted to *Middlemen's Profits and Margins* (Washington, 1924, pp. 215). The first part of the report deals with the expenses and profits of country elevators, the second with terminal elevators, and the third estimates the gross margin in handling the grain between the grower and the miller, exporter, or other converter. Volumes I, II, III, and V have already been issued.

The first part of the report on *The Cotton Trade*, issued under date of April 24, 1924, as Senate Document No. 100, 68 Cong., 1 Sess. (pp. 280). This treats of the marketing and physical handling of cotton, competitive conditions, financial and operating results of cotton merchants and coöperatives, future trading and deliveries, spot quotations and differences, revision of the grades deliverable on contract, proposed southern deliveries on New York contracts, and southern delivery in the light of statistics, with many tables and diagrams.

*Wheat Flour Milling Industry*, Senate Document No. 130, 68 Cong., 1 Sess. (1924, pp. 130). This contains chapters on the development of the industry, production and foreign trade, investment and profits, cost, wheat flour prices, flour and feed packages.

The statement of the case popularly known as the Pittsburgh-plus case (Federal Trade Commission v. United States Steel Corporation, American Bridge Company, American Sheet and Tin Plate Company, etc.), brought



by the State of Illinois and others, has been printed as Docket 760 (pp. 1228). This contains part of the testimony of Professors Fetter, Ripley, and Commons. With this has been received the *Brief for Amici Curiae* (States of Illinois, Iowa, Minnesota, and Wisconsin), H. G. Pickering, attorney (pp. 177).

The United States Tariff Commission has issued:

Tariff Information Series, No. 32: *Census of Dyes and Other Synthetic Organic Chemicals, 1923* (Washington, 1924, pp. 198).

Tariff Information Survey I-3a: *100 Imported Cotton Cloths*, showing invoice prices in 1913 and 1920, and rates of duty applicable under acts of 1909, 1913, and 1922 (1923, pp. 54).

*Sodium Nitrite*, showing differences in costs of production in the United States and in competing foreign countries (1924, pp. 22).

*Barium Dioxide*, dealing with differences in costs of production (1924, pp. 9.).

The letter from the chairman of the Tariff Commission to the Senate on the *Cotton-Cloth Industry*, printed as Senate Document No. 150, 68 Cong., 1 Sess. (1924, pp. 43).

The federal Department of Commerce has issued:

Miscellaneous Series,

No. 126, *The German Dyestuffs Industry*, by T. W. Delahanty (Washington, 1924, pp. 62).

No. 128, *Markets for Canned Foods in the Western Hemisphere*, by B. R. Hart (1924, pp. 222).

Special Agents Series,

No. 226, *Shoes, Leather, and Hides in Great Britain*, by Norman Hertz (1924, pp. 201).

Trade Promotion Series,

No. 9, *Domestic Market Possibilities for Electrical Merchandising Lines*, by R. A. Lundquist and H. E. Way (1924, pp. 17). This is an analysis of percentage distribution by states.

The Bureau of the Census has prepared a bulletin, in coöperation with the Forest Service of the Department of Agriculture, on *Lumber, Lath, and Shingles* (Washington, 1924, pp. 33).

The United States Department of Agriculture has issued Department Bulletins:

No. 1241, *How the United States Can Meet Its Present and Future Pulp-Wood Requirements*, by E. H. Clapp and C. W. Boyce (Washington, 1924, pp. 100).

No. 1261, *Operating Methods and Expense of Coöperative Citrus-Fruit Marketing Agencies*, by A. W. McKay and W. M. Stevens (1924, pp. 34).

No. 1266, *Agricultural Coöperation in Denmark*, by C. L. Christensen (1924, pp. 88).

No. 1269, *Relation of Land Tenure to Plantation Organization*, by C. O. Brannen (1924, pp. 77).

The following hearings before congressional committees have been printed:

Before the House Select Committee to inquire into the *Operations, Policies and Affairs of the United States Shipping Board and the United States Emergency Fleet Corporation* (Washington, part 1, pp. 824; part 2, pp. 825-1677).

Before the House Committee on the Merchant Marine and Fisheries, *To Amend Section 28 of the Merchant Marine Act of 1920* (pp. 620). These hearings were held April 3-12, 1924.

Before the Senate Committee on Interstate Commerce on *Transportation Rates of Common Carriers* (1924, pp. 818).

Before the House Committee on Interstate and Foreign Commerce on *Proposed Amendment to the Transportation Act, 1920* (part 1, 1924, pp. 228).

Before the Senate Committee on Agriculture and Forestry in regard to an *Amendment to Packers and Stockyards Act, 1921* (1924, part 1, pp. 233; part 2, pp. 235-435).

Before the Senate Committee on Agriculture and Forestry on the *Yoakum Plan for Agricultural Relief* (April 1, 1924, pp. 34).

### Corporations

The Bureau of Railway Economics has issued a *List of References on American Railway Accounting*, prepared for the Committee on Records and Accounts of the American Railway Engineering Association. This list covers 159 mimeographed pages (Washington, Bureau of Railway Economics, 17 and H Sts., N. W.).

Wood, Struthers & Company have prepared a study of the operations of the Great Northern Railway and Northern Pacific Railway Companies in the period 1916-1922, with the discussion of some of their most difficult problems (New York, 1924, pp. 131).

The *Public Utilities Act of California and Constitutional Provisions and Other Enactments Relating to Public Utilities* has been printed in pamphlet form by the Railroad Commission (Sacramento, 1924, pp. 79).

### Labor

The hearings before a subcommittee of the Senate Committee on Interstate Commerce in regard to the *Protection of the Railway Baggage and Express Car Employees* has been printed for the use of the committee (Washington, 1924, pp. 168). The same committee has also held hearings dealing with *Arbitration between Carriers and Employees: Boards of Adjustment*; these hearings were held in March and April, 1924 (pp. 364).

The Bureau of Labor Statistics of the federal Department of Labor has issued the following bulletins:

No. 343, *Laws Providing for Bureaus of Labor Statistics, etc.* (Washington, 1923, pp. 170).

- No. 349, *Industrial Relations in the West Coast Lumber Industry*, by C. R. Howd (December, 1923, pp. 120). This deals with the labor problem on the west coast of the United States. There are chapters on the extent and causes of labor unrest, the nationality of the workers, the Industrial Workers of the World, 1917 lumber workers' strike, and the organization and development of the Loyal Legion of Lumbermen. There is also a helpful bibliography in the appendix.
- No. 353, *Wages and Hours of Labor in the Iron and Steel Industry: 1907 to 1922* (April, 1924, pp. 174).
- No. 354, *Union Scale of Wages and Hours of Labor, May 15, 1923* (April, 1924, pp. 196).
- No. 357, *Cost of Living in the United States* (May, 1924, pp. 466).
- No. 358, *Wages and Hours of Labor in the Automobile Tire Industry, 1923* (April, 1924, pp. 58).
- No. 359, *Proceedings of the Tenth Annual Meeting of the International Association of Industrial Accident Boards and Commissions*, held at St. Paul, September, 1923 (May, 1924, pp. 148).
- No. 360, *Time and Labor Costs in Manufacturing 100 Pairs of Shoes, 1923* (July, 1924, pp. 154).
- No. 361, *Labor Relations in the Fairmont, West Virginia, Bituminous Coal Field*, by B. Emmet (July, 1924, pp. 86).
- No. 363, *Wages and Hours of Labor in Lumber Manufacturing, 1923* (August, 1924, pp. 32).

The following publications of the Children's Bureau have appeared:

- No. 129, *Child Labor in North Dakota* (Washington, 1923, pp. 67).
- No. 134, *The Welfare of Children in Cotton-Growing Areas of Texas* (1924, pp. 83).

The Women's Bureau has issued the following bulletins:

- No. 34, *Women in Alabama Industries: A Study of Hours, Wages, and Working Conditions* (Washington, 1924, pp. 86).
- No. 35, *Women in Missouri Industries: A Study of Hours and Wages* (1924, pp. 127).
- No. 36, *Radio Talks on Women in Industry* (1924, pp. 34).
- No. 37, *Women in New Jersey Industries: A Study of Wages and Hours* (1924, pp. 99).

The Department of Commerce has published a summary of the report of the committee of the President's Conference on Unemployment, dealing with *Seasonal Operation in the Construction Industries* (Washington, 1924, pp. 24).

The following state volumes dealing with labor have been received:

*Thirty-second Annual Report of the Commissioner of Labor and Statistics of Maryland, 1923* (Baltimore, 1924, pp. 238).

*Annual Report on the Statistics of Labor for the Year Ending November 30, 1923*, published by the Department of Labor and Industries of Massachusetts (Boston, Pub. Doc. 15).

*Annual Report of the Industrial Commissioner of New York for the Year Ended June 30, 1923*, published by the New York State Department of Labor (Albany, 1924, pp. 183).

*New York Labor Laws Enacted in 1924* have been published by the Department of Labor as a separate bulletin, no. 125 (Albany, June, 1924, pp. 56).

*Miscellaneous Labor Laws of New York*, with amendments and additions and annotations to August 1, 1924, have also been compiled by the New York Department of Labor (Albany, pp. 191).

*Labor Laws of the State of California, 1923*, have been brought together in pamphlet form by the Bureau of Labor Statistics (San Francisco, State Bldg., pp. 184).

### Money, Prices, Credit, and Banking

*The Federal Farm Loan Act as Amended to January 1, 1924*, has been printed as Circular No. 20, by the Federal Farm Loan Board of the Treasury Department (Washington, 1924, pp. 34).

The chairman and federal reserve agent of the Federal Reserve Bank of Boston, Mr. F. H. Curtiss, has prepared a brief statement on *Operating Costs and Profits in 1923*, based on the experience of all member banks in federal reserve district I, grouped according to size of banks and character of business (Boston, pp. 4).

*The Tenth Annual Report of the Federal Reserve Board* covers operations for 1923 (Washington, 1924, pp. 490).

The following state reports dealing with banking and credit institutions have been received:

*Fourteenth Annual Report of the Superintendent of Banks of the State of California, 1923*, showing the financial condition of state banks at the close of business, June 30, 1923 (Sacramento, 1923, pp. 807).

*Thirty-fifth Annual Report of the Commissioner of the Banking Department of Michigan* (Lansing, December 31, 1923, pp. 387).

*Michigan Laws Relating to Building and Loan Associations*, revision of 1923 (Lansing, Secretary of State, pp. 24).

*Seventeenth Annual Report of the Bank Commissioner of Rhode Island*, showing the condition of state banking institutions as of June 30, 1924 (Providence, 1924, pp. 246).

### Public Finance

A revised edition of *Comparison of the Revenue Acts of 1918 and 1921*, with index, has been prepared for the use of the House Committee on Ways and Means (Washington, 1924, pp. 240).

A letter from the chairman of the Federal Trade Commission, transmitting a report on *Taxation and Tax-Exempt Income* has been printed as Senate Document No. 148, 68 Cong., 1 Sess. (Washington, 1924, pp. 144).

The Bureau of the Census has prepared a *Digest of State Laws Relating to Taxation and Revenue, 1922* (Washington, 1924, pp. 544). This is compiled with relation to statistics of taxation and revenue published by the Bureau of the Census in connection with the decennial report on wealth, debt, and taxation.

Among the state reports on taxation, the following have appeared:

*Laws of Alabama Governing the Collection of License Taxes, 1923* (Montgomery, State Tax Commission, pp. 136).

*Ninth Annual Report of the State Tax Commissioner of Georgia, for the Year 1922* (Atlanta, pp. 31).

*Proceedings of the Ninth Biennial Conference Convention of the Tax Commission and County Assessors of Kansas* (Topeka, Tax Commission, 1923, pp. 63).

*Annual Report of the Commissioner of Corporations and Taxation of Massachusetts for the Year Ending November 30, 1923* (Boston, Pub. Doc. 16, pp. 105).

*Eighth Annual Report of the State Board of Taxes and Assessments for New Jersey for the Year Ending June 30, 1923* (Trenton, 1924, pp. 839).

## Immigration and Population

The hearings before the Senate Committee on Immigration, held February to April, 1924, on *Selective Immigration Legislation* have been printed as House Report No. 350, 68 Cong., 1 Sess. (Washington, 1924, pp. 314).

The hearings before the same committee on *Japanese Immigration Legislation*, held in March, 1924, have also been printed (pp. 170).

The report of the House Committee on *Restriction of Immigration* appears as House Report No. 350, 68 Cong., 1 Sess. (1924, pp. 34).

*Farm Population of Selected Counties*, by C. J. Galpin and Veda B. Larson, recently published by the Bureau of the Census (Washington, 1924, pp. 238) is an interesting statistical compilation showing the possibilities of an intensive study of census data gathered from census volumes and regrouped. This special compilation relates to the farm population classified by age, race and nativity, color, tenure, residence, illiteracy, school attendance, and marital condition. The selected counties for which this compilation is made were Otsego County, N. Y., Dane County, Wis., New Madrid and Scott Counties, Mo., Cass County, N. Dak., Wake County, N. C., Ellis County, Tex., and King County, Wash.

## NOTES

The thirty-seventh annual meeting of the AMERICAN ECONOMIC ASSOCIATION will be held in Chicago, December 28-31, 1924, with headquarters at the Congress Hotel.

The opening meeting, on December 28 at 8 p. m., will be a joint session with the American Association for Labor Legislation, at which a paper on "Coöperation and the agricultural problem," by Dr. Aaron Sapiro, of Los Angeles, will be presented, together with a second paper to be announced later.

The second session will be on the economics of advertising, as follows: "An economic criticism of advertising," by Professor Frederick Clark; "An economic defense of advertising," by Professor George B. Hotchkiss; Summary and appraisal, by Professor W. D. Moriarty; Discussion, by Dr. Paul T. Cherington and Professor Morris A. Copeland.

The third session, on population and natural resources, will be held in conjunction with the American Statistical Association: "The economists' view of the population problem," by Professor A. B. Wolfe; "Agriculture and population," by Professor D. D. Lescoghier; "The economics of the American farm," by Dr. David Friday; "Increasing the efficiency of farm production," by Dr. Alonzo E. Taylor; "Mineral and other resources for future populations," by Dr. Frederick Gale Tryon.

Presidential addresses will be delivered at the fourth session by Professor C. A. Ellwood, of the American Sociological Society, Dr. Louis I. Dublin, of the American Statistical Association, and Professor Wesley C. Mitchell, of the American Economic Association.

At the fifth session, problems of economic theory will be considered, with papers as follows: "The productivity of human labor and economic theory," by Professor Vladimir G. Simkhovitch; Legal institutions and economics," by Professor Karl Llewellyn; "Economic theory in the calculable future," by Dr. Thorstein Veblen; there will be discussion by Professor John Maurice Clark and Professor Raymond T. Bye.

Nine round table conferences will be held simultaneously: "Economic theory," Professor Rexford G. Tugwell, chairman; "Transportation problems," Professor William J. Cunningham, chairman; "Marketing problems," Professor H. R. Tosdal, chairman; "Giant power," Dr. Morris L. Cooke, chairman; "Teaching business and teaching economics," Professor James E. Hagerty, chairman; "Business Administration," Dean C. M. Thompson, chairman; "Monetary stabilization," Professor Holbrook Working, chairman; "Foreign service training," Dr. Glen Levin Swiggett, chairman; "Highway economics," Professor C. O. Ruggles, chairman.

The world's monetary problem will be the subject of the sixth session, under the following heads: "The United States," by Dr. Waddill Catchings, Pollak Foundation; "England," by Professor T. E. Gregory, London School of Economics; "Some international aspects of monetary policy," by Major J. R. Bellerby, International Labor Office, Geneva.

On December 31, at 9 a. m., election of officers will take place. This



will be followed by a seventh session, on psychological problems of industry: "Wages and efficiency," by Professor Sumner E. Schlichter; "Labor supply as affected by psychological forces other than price," by Mr. Elliott Dunlap Smith, of the Dennison Manufacturing Company; "Intelligence in relation to occupation," by Professor Arthur W. Kornhauser; Discussion, by Professor Harry A. Millis. The conference will conclude with an executive committee meeting.

Arrangements have been made with the railway officials for reduced fares for members attending the annual meeting, provided the required number (250) present certificates. More detailed information is contained in the preliminary announcement distributed by the Secretary of the AMERICAN ECONOMIC ASSOCIATION.

The American Statistical Association, American Farm Economic Association, American Sociological Society, American Association of University Instructors in Accounting, and American Association for Labor Legislation will meet in Chicago at the same time. The five sessions of the American Statistical Association will be devoted to the various phases of the population problem.

The following names have been added to the membership of the AMERICAN ECONOMIC ASSOCIATION since the first of August:

- Abbot, L. A., 5509 Thirty-ninth St., N. W., Washington, D. C.  
 Altman, B. L., 561 Willard Place, Evanston, Ill.  
 Ambler, H. E., 5111 Cornell Ave., Chicago, Ill.  
 Anderson, A. G., 210 Commerce Bldg., University of Illinois, Urbana, Ill.  
 Anderson, J. E., 603 North Second St., Lindsborg, Kan.  
 Applegate, M. S., 19 Grove Place, East Orange, N. J.  
 Bamford, E. F., University of Southern California, Los Angeles, Calif.  
 Bittner, W. S., 822 Hunter Ave., Bloomington, Ind.  
 Boettiger, L. A., Y. M. C. A., Appleton, Wis.  
 Boykin, M., 710 Boissevain Ave., Norfolk, Va.  
 Cagann, O. W., 209 E. Stoughton St., Champaign, Ill.  
 Calhoun, A. W., Brookwood, Katonah, N. Y.  
 Coler, W. P., 5065 Woodward Ave., Detroit, Mich.  
 Colwell, J. L., 84 Marion St., Seattle, Wash.  
 Condliffe, J. B., Canterbury College, Christchurch, N. Z.  
 Cowan, D., Sun Life Assurance Co., Montreal, Can.  
 Dau, W. H. T., 2637 Winnebago St., St. Louis, Mo.  
 Davenport, D. H., Columbia University, New York City.  
 Donnell, J. H., La Salle Extension University, Chicago, Ill.  
 Downey, J. O., Metropolitan Club, New York City.  
 Ellinger, T. U., Armour and Company, Chicago, Ill.  
 Feldstein, B. H., 1122 Mellon St., Pittsburgh, Pa.  
 Flinn, R. A., 1834 Forty-ninth St., Brooklyn, N. Y.  
 Frickey, E., 96 Hillside Rd., Watertown, Mass.  
 Friedland, V., Goucher College, Baltimore, Md.  
 Forsberg, A. B., University of Chicago, Chicago, Ill.  
 Goldsmith, S. A., 114 Fifth Ave., New York City.  
 Hayek, F. A., V. Margarethenstrasse 82, Vienna, Austria.  
 Henninger, C. M., 1100 Alabama St., Lawrence, Kan.  
 Herling, R. R., 206 Nassau St., Princeton, N. J.  
 Holladay, J., 904 W. California St., Urbana, Ill.  
 Hood, W. B., Brandon College, Brandon, Man., Can.  
 Johnson, J. G., University of Colorado, Boulder, Colo.  
 Koenig, P. L., 1518 State St., Harrisburg, Pa.  
 Krakower, I. E., 367 Vermont St., Brooklyn, N. Y.  
 Krishna, S., Katra Khushhalrai, Delhi, India.

- Lee, H. H., 133 W. 10th Ave., Columbus, Ohio.  
 Levin, B. S., 2104 Chelsea Terrace, Baltimore, Md.  
 Lounsbury, R. C., 876 Harkness Mem., New Haven, Conn.  
 Maar, C., 538 Morris St., Albany, N. Y.  
 McDougle, I. E., Goucher College, Baltimore, Md.  
 McGill, J. H., Valparaiso, Ind.  
 Marimo, G. Z., 13 Salita Castelletto, Genoa, Italy.  
 Marlatt, A. L., 612 Howard Place, Madison, Wis.  
 Martin, L. F., R. H. Donnelley Corp., Nevada, Ia.  
 Mises, L., Wollzeile 24, I, Vienna, Austria.  
 Munson, W. A., 136 State House, Boston, Mass.  
 Niles, Mrs. M. C. H., 270 Edgewood St., Hartford, Conn.  
 Osborne, A. A., c/o Dept. of Commerce, Washington, D. C.  
 Page, K., 311 Division Ave., Hasbrouck Heights, N. J.  
 Peabody, W. R., 318 Grant Ave., New Brunswick, N. J.  
 Peck, G., 107 South University St., Vermillion, So. Dak.  
 Pogue, J. E., 42 West 12th St., New York City.  
 Pooley, Mrs. N. W., 361 West 27th St., New York City.  
 Pound, R., Harvard Law School, Cambridge, Mass.  
 Randolph, E., 116 So. Third St., Philadelphia, Pa.  
 Riddleberger, O. M., Bureau of the Census, Washington, D. C.  
 Riley, A. J., Mutual Benefit Life Ins. Co., Newark, N. J.  
 Rose, D. H., Maryland Life Insurance Co., 10 South St., Baltimore, Md.  
 Shackleton, A. M., 658 Main St., Riverside, Calif.  
 Smith, N. L., Parker Apts., Hanover, N. H.  
 Strauss, A., 54 Wall St., New York City.  
 Swanson, F. G., 411 C. N. B. Bldg., Wichita Falls, Tex.  
 Swayne, A. H., 224 West 57th St., New York City.  
 Tapley, G. H., Amos Tuck School, Hanover, N. H.  
 Thompson, D. F., 84 Hancock St., Brooklyn, N. Y.  
 Tobriner, M. O., 51 Walter Hastings Hall, Cambridge, Mass.  
 Treman, R. H., Ithaca, N. Y.  
 Valentine, F. P., 195 Broadway, New York City.  
 Vanderlinden, J. S., Ames High School, Ames, Ia.  
 Vincent, W. D., North 1314 Summit Blvd., Spokane, Wash.  
 Wang, C. Y., 1122 First Avenue, Cedar Rapids, Ia.  
 Watrous, G. D., Jr., U. S. Tariff Commission, Washington, D. C.  
 Webber, W. L., Babson Statistical Laboratory, Babson Park, Fla.  
 Wells, C. F., University of Idaho, Moscow, Idaho.  
 Wentworth, E. N., Dir., Armour's Livestock Bur., Chicago, Ill.  
 Wilcox, L., 224 South 18th St., Cedar Rapids, Ia.  
 Wilkes, M. R., c/o Federal Reserve Board, Washington, D. C.  
 Wolman, A., 16 West Saratoga St., Baltimore, Md.  
 Wyckoff, V. J., St. John's College, Annapolis, Md.

Dr. Henry J. Harris died in Washington, October 10. Dr. Harris for the last eleven years has abstracted the periodicals in the field of insurance and pensions and reviewed many important books. Readers of the Review will miss the service which he has so faithfully contributed.

The REVIEW is indebted to Professor August Graziani, of the University of Naples, for annotations of a number of Italian books listed among the new books.

In the belief that the theory of wages is of exceptional importance, and that constructive study of it should be stimulated, a committee of which Professor J. Laurence Laughlin, of the University of Chicago, is chairman has been authorized by Hart Schaffner & Marx to offer in 1926 a cash prize of \$5,000 for the best original treatise on this subject. No restrictions are placed upon the scope, method, or character of the studies, but they must make genuine contributions toward the understanding of the wage problem. This offer is entirely separate from the annual competition; manuscripts

should be sent in by October 1, 1926. Other members of the committee are J. B. Clark, T. E. Burton, E. F. Gay, and W. C. Mitchell. Inquiries should be addressed to Professor Laughlin.

There has been organized at the University of North Carolina an Institute for Research in Social Sciences, made possible by the action of the Laura Spelman Memorial Fund in donating an annual sum of \$32,500. The purpose of this institute is the coöperative study of problems in the general field of social science, arising out of state and regional conditions. Already seven research assistants are at work on definite projects, which include a study of southern transportation problems, the financial management of county governments, and child welfare conditions in cotton-mill villages.

Nineteen scholarships in the economics of public utilities will be available for graduate students next year at the University of Illinois. Eight of these will carry a stipend for the year of \$350, seven of \$500, and four of \$750 each. Only graduate students who are proposing to take their work for the doctorate in this field will be available for the more advanced fellowships.

During the current year the College of Business Administration of the University of Nebraska awarded five graduate scholarships, of \$500 each, in economics and business research. These scholarships were made available through the generosity of Lincoln business men.

A new series of reports on economic conditions has been recently begun under the title of *The Brown Business Service*, by the Brown Bureau of Business Research. This organization was started three years ago, under the guidance of Professor Henry B. Gardner, by Professor Ralph E. Badger, of the department of economics in Brown University. Members of the Providence Chamber of Commerce coöperated with the university in forming the bureau. Among the persons on the executive staff is Professor William A. Berridge, director of research. The board of directors decided that the intensive measurement of local business conditions in the vicinity of Providence would, if successful, form a unique contribution. A series of four reports embodying certain preliminary findings was published November, 1922, to February, 1923, by *The Providence Magazine*, the organ of the Chamber of Commerce. Largely as a result of these articles, the Brown Business Service was proposed, and the first report in the new series appeared October 1.

The bureau plans to issue ten regular monthly reports, dealing with economic conditions in Providence and vicinity as contrasted with those prevailing in New England and in the country at large. It also plans a supplementary series of reports on topics of special interest to local business men. The bureau uses a great variety of factual and statistical information bearing upon local conditions. A novel feature among its statistical series is one representing the weekly volume of payroll disbursements in the various industries and trades about Providence. It is obtained by tabulating the withdrawals on payroll voucher from Providence clearing house banks.

Among the statistics in use are the following series, collected by the bureau on its own initiative or in coöperation with other agencies: Employment in Rhode Island factories; Industrial power sales of Narragansett Electric Lighting Company; Cars loaded and unloaded locally on the N. Y., N. H., & H. R. R.; Cotton and wool consumed in Rhode Island mills; Spindles and looms active in Rhode Island mills; Value of building permits issued and floor space of contracts let in Rhode Island cities and towns; Business failures in Rhode Island and the Attleboros; Wholesale and retail sales in Providence; Retail collections by Providence stores; Retail prices in Providence; Debits to individual accounts by Providence clearing house banks; Commercial loans, discounts, investments, and deposits of Providence clearing house banks; Deposits in mutual and postal savings banks of Providence; Marriage rate in Rhode Island; Number of telephone calls pegged in Providence; Street railway passengers and revenues in Providence.

The Institute of Economics at Washington is undertaking a study of the adequacy of government statistics, particularly in the fields of international finance, labor, and power. In all of these studies, answers will be sought to the following questions: (1) What are the specific problems for the solution of which we must have statistical data? (2) What are the gaps in existing statistical material? (3) What existing data now being collected are useless for the solution of these problems? (4) Are the methods used in collecting and presenting existing statistical material sound and adequate?

The more general studies will be conducted by Dr. Horace B. Drury, of the Institute, and Dr. Lawrence F. Schmeckebier, of the Institute for Government Research. For the labor studies, Dr. Robert W. Woodbury, formerly chief of the Statistical Division of the Children's Bureau, and Dr. Helen Sumner Woodbury have been added to the staff of the Institute. The power study will be in the hands of Mr. Frederick G. Tryon, of the U. S. Geological Survey.

The Royal Economic Society has undertaken to publish works of interest to the economic world at more reasonable prices than would be possible otherwise. The first to be ready are the collected economic works of Professor Edgeworth, under the title *Papers Relating to Political Economy*, and an abridged translation of Knapp's *State Theory of Money*. Professor Edgeworth's works cover some 1,200 pages, issued in three volumes. Members of the American Economic Association can obtain Professor Edgeworth's papers at \$6 per set, and Professor Knapp's book at \$1.50, by sending orders to Mr. Buttress, 6 Humberstone Road, Cambridge, England.

In the September issue of the English *Economic Journal* is an extended (60 pages) article, biographical and critical, covering the life and work of "Alfred Marshall, 1842-1924," by J. M. Keynes, one of the editors of the *Journal*. Apart from the personal data, Keynes' discussion of the relation of Marshall and Jevons is of interest to the student of economic theory.

The federal Bureau of Education has issued a bulletin on *Practices and*

*Objectives in Training for Foreign Service.* This is a report of the National Conference on Foreign Service Training, held in Washington, December 26, 1923, and was prepared by Glen Levin Swiggett (Washington, pp. 27).

The *International Yearbook of Agricultural Legislation* for 1923 is to be printed in English as well as in French, the only language in which previous issues have appeared. The English translation is intended for the benefit of students of agricultural legislation in the United States, and may be ordered from Mr. J. C. Barrett, Bureau of Agricultural Economics, Washington, D. C. The price is \$3.

Dr. J. T. Holdsworth, recently president of the Pennsylvania Joint Stock Land Bank, Philadelphia, is engaged in writing the history of banking in Pennsylvania.

Walter de Gruyter & Cie, at Berlin, has begun the publication under the direction of Adolf Günther and Gerhard Kessler, of a series of volumes entitled, "Handbuch der Wirtschafts- und Sozialwissenschaften." Some 25 volumes are proposed.

Karl Bücher, for twenty years editor of *Zeitschrift für die Gesamte Staatswissenschaft*, has resigned and is succeeded by Georg Brodnitz.

The publication, late in 1924, of a work entitled *Volkswirtschaft, Arbeitsrecht und Sozialversicherung der Schweiz* is announced by Verlagsanstalt Benziger & Co. A. G., Einsiedeln. This appears under the direction of the Swiss Bundesrat and is prepared by the Eidgenössischen Volkswirtschaftsdepartement.

The publishing house of B. G. Teubner, in Leipzig, announces a change in the "Jahrbücher" which it issues. These will appear beginning November, 1924, six times yearly instead of eight, under the title *Neue Jahrbücher für Wissenschaft und Bildung* (subscription price 18 Goldmarks per year).

#### *Appointments and Resignations*

Mr. James P. Adams has been promoted from the rank of assistant professor to associate professor in the department of economics at Brown University.

Miss Dorothy C. Bacon is assistant in economics at Vassar College.

Dr. Ralph E. Badger has been promoted from an assistant to an associate professorship in the department of economics at Brown University.

Mr. E. C. Bancroft, formerly of Brown University, has received an appointment as associate professor in the economics department at Colgate University, where he will teach foreign trade, money and banking, and public finance.

Mr. C. W. Barker has been appointed assistant professor of marketing and merchandising in the School of Commerce, University of North Dakota.

Professor S. E. Beckett, of the University of British Columbia, has been granted leave of absence, and will serve as lecturer in political economy at the University of Chicago while he is carrying on further graduate work at that place.

Dr. T. N. Beckman has been advanced to the rank of assistant professor of the College of Commerce, Ohio State University.

Professor Clyde Belford, formerly of Marquette University, is teaching in the School of Commerce and Business Administration at the University of Southern California as assistant professor of accounting.

Dr. William A. Berridge has been promoted from assistant to associate professor in the department of economics at Brown University.

Mr. Ralph F. Breyer has been promoted to assistant professor of commerce and transportation in the Wharton School, University of Pennsylvania.

Dr. Henry A. Burd, formerly of the University of Wisconsin, is now professor of business administration at the University of Washington.

Mr. William Burney has been advanced from the rank of instructor to that of associate professor in the College of Commerce at the State University of Iowa.

Mr. E. R. Burton has left Brown University, and is now associated with Dr. H. C. Metcalf, Director of the Bureau of Personnel Administration, 17 West 47th Street, New York City, being engaged in labor research.

Dr. Kenyon L. Butterfield, has resigned as president of the Massachusetts Agricultural College in order to accept the presidency of Michigan Agricultural College.

Mr. Clifford E. Cagle, assistant professor of finance at the University of Colorado, has resigned.

Mr. A. B. Campbell, formerly instructor of accounting at Southwestern University, is this year assistant professor of accounting in the School of Commerce and Business Administration at the University of Southern California.

Dean Dudley D. Carroll is spending a year's leave of absence from the University of North Carolina, on the Kenan Foundation, in Europe, studying economic and social conditions in France, Germany, Russia, Czechoslovakia and other European countries.

Mr. Lawrence Clark recently received the appointment of professor of economics at Alfred College, Alfred, New York.

Mr. H. S. Conklin has resigned as lecturer in economics at Lafayette College.

Mr. Ralph Conwell is now graduate assistant in economics at the University of Wyoming.

Mr. Paul D. Converse, formerly professor of commerce at the University



of Pittsburgh, is now associate professor of business organization and operation at the University of Illinois.

Dr. Morris A. Copeland recently received the appointment of assistant professor in the department of economics at Cornell University.

Dr. Wallace M. Cunningham, formerly assistant professor of finance at New York University, is now associate professor of finance in the School of Commerce and Business Administration at the University of Southern California.

Mr. Emil B. Dade has been promoted from the rank of instructor to that of assistant professor in the newly established School of Business, University of Kansas.

Mr. J. F. Day, of the University of Chicago, is now assistant professor at Emory University.

Mr. J. F. Dewhurst, of the department of geography and industry of the Wharton School, University of Pennsylvania, is now engaged in making a market analysis of the third federal reserve district (Philadelphia) for the Department of Commerce.

Dr. Michael Dorizas has just completed a trip in Turkey, during which he studied the geographic and climatic conditions prevailing in that country in their relation to trade and commerce.

Mr. D. J. Duncan has been appointed instructor in business economics at the University of Colorado.

Dr. Wilfred Eldred, who was until recently connected with the Food Research Institute located at Stanford University, is now professor of business administration at the University of Washington.

Mr. Paul K. Edwards, recently assistant professor of economics at Ursinus College, Pennsylvania, and last year engaged in work for the Bureau of Business Research, Harvard University, and in a market survey for the Department of Agriculture, has been appointed acting assistant professor of commerce at the University of Virginia.

Mr. William G. Eliot, 3d, has resigned as instructor in economics and social science at Wesleyan University.

Mr. Mercer G. Evans, of the University of Chicago, has been appointed assistant professor at Emory University.

Mr. Elmer D. Fagan, assistant professor of economics at the University of Southern California, is on leave of absence for one year.

Mr. Lincoln Fairley has been appointed instructor in economics at Hollins College.

Dr. Herbert Feis has accepted a professorship as head of the department of economics at the University of Cincinnati.

Miss Vera Friedland is an instructor in the social science department at Goucher College.

Dr. Lois Oliphant Gibbons is at the University of Wyoming as assistant professor of economics and history.

Miss Evelyn Gibson, instructor in economics at Vassar College, is on leave of absence for the year.

Mr. Carter Goodrich, recently Amherst Memorial Fellow of Amherst College, is now assistant professor of economics at the University of Michigan.

Dr. Robert L. Hale has been appointed impartial chairman of the clothing industry at Rochester, New York.

Mr. Henry B. Hall has accepted an appointment as lecturer at Boston University College of Business Administration. He will be in charge of the instruction in economic history.

Mr. W. B. Harrell, instructor in economics and accounting at the University of North Carolina, has resigned.

Mr. Moses K. Hearne is now instructor in economics and accounting at the University of North Carolina.

Mr. Harvey A. Heath is at the University of Nebraska as instructor in accounting.

Mr. A. G. Hinman, of the University of Wisconsin, has been appointed assistant professor of advertising and sales management in the University of Nebraska.

Dr. H. F. Holtzclaw has been appointed director of the bureau of business research at the newly established School of Business, University of Kansas.

Mr. Roy J. Honeywell has been promoted from instructor to assistant professor at the Boston University College of Business Administration.

Dr. Cloice R. Howd, formerly acting associate professor of economics and sociology at Franklin College, has received the appointment of professor of economics and sociology at Texas Christian University.

Professor S. S. Huebner, of the Wharton School, University of Pennsylvania, is now serving as chairman of the Insurance Committee of the National Conference on Street and Highway Safety, which is investigating under the auspices of the department of Commerce, among other things, the causes of accidents on highways. Dr. Huebner is also a member of the Advisory Insurance Committee of the Chamber of Commerce of the United States, and the Publicity Committee of the Fire Prevention Association of Philadelphia.

Miss Louise B. Inches has joined the staff of the American Association for Labor Legislation.

Robert F. Irwin, of the business law staff of the Wharton School, University of Pennsylvania, is representing the city of Philadelphia in the Philadelphia Rapid Transit fare-reduction case.

Mr. Jens P. Jensen, formerly associate professor in the University of Kansas, has been given the rank of full professor.

Mr. J. G. Johnson, formerly of the University of Georgia, has been appointed assistant professor of economics at the University of Colorado.

Mr. Dexter M. Keezer, assistant professor of economics at the University of Colorado, has resigned.

Professor Albert S. Keister has resigned from the School of Commerce and Administration at the University of Chicago, to accept an appointment at the North Carolina College for Women.

Professor E. W. Kemmerer, of Princeton University, spent the summer in Guatemala, Central America. Representing there a group of American financial interests, he worked out a plan for currency, banking and fiscal reform in the Republic. Mr. Frank Whitson Fetter, instructor in economics at Princeton, accompanied Professor Kemmerer as secretary.

Mr. Hugh B. Killough has been appointed assistant professor in the department of economics at Brown University.

Professor R. H. Lansburgh, of the Wharton School, University of Pennsylvania, has been appointed by Governor Pinchot as Secretary of Labor and Industry for the Commonwealth of Pennsylvania.

Professor-emeritus J. Laurence Laughlin, of the University of Chicago, has returned to that university for the autumn quarter and will conduct two courses for graduate students.

Mr. J. Merritt Lear, formerly of the State Teachers College, Farmville, Va., department of history, has been appointed assistant professor of insurance at the University of North Carolina.

Mr. Robert H. Loomis, of Boston University College of Business Administration, has been advanced from the rank of associate to full professor.

Mr. Harold A. Logan, of the University of Chicago, has been appointed professor of economics and sociology at Randolph-Macon Women's College.

Dr. Ivan McDougale, who for five years has been professor of economics and sociology at Sweet Briar College, Virginia, has accepted an appointment as associate professor of economics and sociology at Goucher College.

Miss Anita Marburg has been appointed instructor in economics in Vassar College.

Mr. James W. Martin has left the University of Chicago to accept a position in Emory University. During the summer, Mr. Martin taught in Peabody College.

Dr. Joseph Mayer, recently a consulting economist in New York, is now professor of political science and head of the economics department at Tufts College.

Dr. Claudius T. Murchison, professor of banking at the University of North Carolina, is acting head of department of economics and dean of the School of Business, in the absence of Dean Carroll.

Mr. Thomas S. Norton is an instructor in the department of economics at Brown University.

Dr. Bernhard Ostrolenk, director of the National Farm School, has been appointed lecturer in rural finance at the Wharton School, University of Pennsylvania.

Mr. Richard N. Owens, who was formerly on the staff of the Institute of Economics, Washington, D. C., is now assistant professor of economics at the School of Commerce and Finance, Washington University, St. Louis.

Dr. T. Compton Pakenham, of the department of economics, Clemson College, has been appointed assistant professor of economics at the University of North Carolina.

Dr. Gladys L. Palmer is now professor of economics and sociology at Hollins College, Hollins, Va.

Miss Elinor Pancoast has been appointed instructor in the social science department at Goucher College.

Dr. Carl E. Parry, after serving for a year as economist to the Grain Futures Administration, United States Department of Agriculture, has joined the Division of Research and Statistics of the Federal Reserve Board.

Mr. J. E. Partington is now associate professor of economics in the College of Commerce at the State University of Iowa.

Miss Elizabeth Paschal has entered upon the work of a research assistant in the University of Nebraska, department of rural economics.

Mr. Allon Peebles, of the University of California, has been appointed instructor in the department of economics and sociology of Barnard College.

Mr. E. Grosvenor Plowman has accepted an appointment as executive secretary of the Industrial Relations Committee of Associated Industries of Massachusetts.

Dr. T. Bruce Robb, of the University of Missouri, is now associate professor of statistics and business research in the University of Nebraska.

Professor R. S. Saby is now head of the department of political science and economics at Gettysburg College, Gettysburg, Pa.

Mr. Jacob Saposnekow, formerly instructor at Hunter College, is now assistant professor in the department of economics and sociology at West Virginia University.

Mr. J. W. Scott, formerly instructor at the University of Chicago, has been appointed dean of the School of Commerce at the Oklahoma State Agricultural College.

Mr. Harold S. Shertz, of the business law department of the Wharton School, University of Pennsylvania, has recently been appointed one of the Philadelphia referees to administer the Pennsylvania Workmen's Compensation act.

Mr. J. H. Shoemaker is at Brown University as instructor in the department of economics.

Mr. Maurice G. Smith is now instructor in the department of economics at the University of Nebraska.

Dr. S. D. Southworth, of Princeton University, has accepted a position as assistant professor of finance at the University of Colorado.

Mr. Lyman C. Sorensen has been appointed instructor in economics in the University of Nebraska.

Mr. Clifford D. Spangler is now instructor in the department of economics at the University of Nebraska.

Mr. R. S. Steiner has been made an assistant in the department of economics at Tufts College.

Dr. Raleigh W. Stone, director of research for the National Industrial Conference Board, is now associate professor of industrial relations in the School of Commerce and Administration at the University of Chicago.

Mr. Charles M. Strong, who for the past three years has been connected with Boston University College of Business Administration, giving instruction in marketing and economics, has accepted a professorship in Alabama Polytechnic Institute where he becomes head of the department of economics.

Dr. John J. Sullivan, professor of business law in the Wharton School, University of Pennsylvania, has been appointed by Governor Pinchot as a member of the Board of Trustees of the Eastern Penitentiary, and has also received an appointment from President Coolidge as one of the Indian Commissioners.

Mr. Henry W. Sweeney, formerly assistant professor of business administration at the University of Wisconsin, is now assistant professor of accounting in the School of Business Administration of the University of Pittsburgh.

Mr. J. B. Taylor has been appointed assistant professor and acting head of the department of accounting in the School of Commerce, University of North Dakota.

Mr. Malcolm D. Taylor, formerly of the Harvard Bureau of Business Research, is now assistant professor of sales relations at the University of North Carolina.

Dr. E. T. Towne, professor of economics and political science at the University of North Dakota, is also now dean of the newly established School of Commerce at that University.

Dr. Robert E. Vinson was inaugurated president of Western Reserve University, Cleveland, Ohio, October 9, 1924.

Dr. W. H. Voskuil, formerly of the department of geography, University of Wisconsin, is now instructor of geography and industry in the Wharton School, University of Pennsylvania.

Mr. Wilford L. White, instructor in business economics at the University of Colorado, has resigned.

Mr. R. S. Wilcox has resigned his position as instructor of accounting at State College, Washington, to accept a similar position at Ohio State University.

Mr. Elmer Wood has accepted a professorship at North Carolina State College.

Mr. John B. Woosley has returned from two years graduate work at Chicago University, having been appointed associate professor of economics and acting dean of freshmen, at the University of North Carolina.



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